



MODIFIED SCOPE PLAN

FORT BENNING FAMILY COMMUNITIES

10 July 2009

FINAL



MODIFIED SCOPE PLAN

July 2009

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EXECUTIVE OVERVIEW

The purpose of this document is to describe the Modified Scope Plan (MSP) for the Fort Benning Residential Communities Initiative (RCI) Project. The document follows the outline provided by the RCI PAM Handbook Version 3.0, 8 June 2007, for Modified Scope Plans.

Background:

In January 2006, the United States of America, through the Secretary of the Army, entered into an Operating Agreement with Clark Pinnacle Benning LLC to form Fort Benning Family Communities, LLC (FBFC). FBFC was formed for the purpose of redeveloping and managing all the military family housing assets supporting Army families assigned to Fort Benning. The original closing development plan called for FBFC to construct 2,377 new homes, provide 272 historic home renovations, and renovate 1,290 non-historic houses during a 10-year initial development period (IDP) that is scheduled to end in December 2015. The (b)(4) development plan (b)(4)

Since Project inception, FBFC has completed 1,092 new houses and 207 historic renovations (the Project is more than 9 months ahead of schedule), and currently has 307 new houses under construction (all scheduled to be completed no later than December 2010). Beyond the existing houses under construction, FBFC projects that sources will not be sufficient to deliver the original scope of the Project due to a (b)(4) funding variance driven by several factors:

- Occupancy has lagged pro forma assumptions, leading to a projected (b)(4) variance in revenue. Of this variance, (b)(4) is attributed to occupancy variance and (b)(4) is due to BAH variance. Key assumptions for the MSP are that BAH will grow at (b)(4) and occupancy will reach a stabilized (b)(4) units (b)(4) of the 2008 HMA on-Post requirement);
- Operating Expenses are higher than pro forma, mostly driven by unit turn costs, leading to a projected (b)(4) variance. For the MSP, operating expenses are expected to grow at (b)(4) per annum;
- Interest Earnings, as a result of AIG's downgrade and subsequent termination of FBFC's investment agreement, are projected to be (b)(4) based on a current investment yield assumption of (b)(4). We have assumed, however, that we will be able to achieve a (b)(4) return on Project unsupported debt (either through re-(b)(4) or (b)(4)), offsetting the negative GIC variance associated with the AIG collapse; and,
- Supportable Debt, based on re-forecasted operating income that is (b)(4) than the current amount of outstanding debt.

The following table provides a comparison of the closing sources and uses to those of the MSP.

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Closing and MSP Sources and Uses Table:

(b) (4)

Modified Scope Plan Concept:

To address the current and projected sources and uses variance, FBFC used the following planning concepts to construct the MSP: 1) renovate in lieu of new construction; 2) spread remaining capital over remaining renovation units; 3) complete the initial development period (IDP) no later than the original date of 31 December 2015; and, 4) modify the distribution of housing to be consistent with the new 2008 Housing Market Analysis (HMA) rank mix.

This MSP focuses on the changes between the Closing and MSP development programs. The most significant modification is the reduction of new construction by 978 homes and the renovation of 746 additional homes.

	CDMP	MSP	Delta	Completed	Remaining Scope
New units	2,377	1,399	-978	1,092	307
Renovations	1,562	2,308	746	207	2,101
"No touch"	261	293	32		
Total	4,200	4,000	-200	1,299	2,408

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MSP IDP Schedule, the “Christmas Tree Chart”:

The following schedule reflects both work completed (or committed / in progress) and work associated with the MSP.

(b) (4)



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The following chart depicts the committed work, future MSP work, and associated hard costs:

		Complete or Committed		MSP Scope to Finish	
Neighborhood	Type of Construction	# of Units	Cost	# of Units	Cost
McGraw Village	New	591	(b) (4)		
Patton Village	New	664			
Porter Village	New	37			
Upatoi Village	New	107			
East Main Post	Historic Reno	272			
Welcome Center	New				
Custer Village Center	New				
General Officer Quarters	Historic Reno			2	(b) (4)
Indianhead Village	Reno			420	(b) (4)
Perkins Village	Reno			172	
Norton Village	Reno			80	
Custer Village	Reno			666	
Davis Bouton Village	Reno			698	
Village Center Amenities	New			2	
TOTAL		1,671		2,038	

Legal and Governance:

The MSP must be approved by the Department of the Army and Trimont Real Estate Advisors as the Bondholder Representative. After receiving Army approval, the Managing Member (Clark Pinnacle Benning, LLC), will seek Bondholder Representative approval of the plan.

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DEVELOPMENT PLAN*1. Development Overview*

The Fort Benning closing development plan consisted of the following scope: construction of 2,377 new homes; renovation of 272 historic homes; renovation of 1,290 non-historic homes; and 261 “no touch units” (units that were recently built or renovated by the Army and required no work). The total ending inventory of 4,200 homes was consistent with the requirement defined in the Housing Market Analysis completed by the Army in November 2003.

This MSP proposes to renovate an additional 746 units and construct 978 fewer units. The following table depicts the end-state number of units by neighborhood (blue-shaded areas depict scope of work that is either complete or in-progress):

MSP: Changes to the Closing Plan						
	Closing Plan		MSP Changes		Total Project Endstate	
Neighborhood	New	Reno	New	Reno	New	Reno
Patton	777		(113)		664	
McGraw	608		(17)		591	
Upatoi	131		(24)		107	
Porter	37		0		37	
Historics		272		0		272
Custer	824		(824)	866		666
Perkins		172		0		172
Davis		370		0		370
Bouton		340		(12)		328
Indianhead		296		124		420
Norton		112		(32)		80
Total	2,377	1,562	(978)	946	1,399	2,308
No Touch*		261		32		293

*40 Porter Village and 221 Fort Benning historic units were renovated before closing

As the above table indicates, the most significant proposed adjustment to the closing development program is with the Custer neighborhood. The units in this neighborhood, originally projected to be demolished and replacement, will be renovated.

Construction Timing and Implementation:

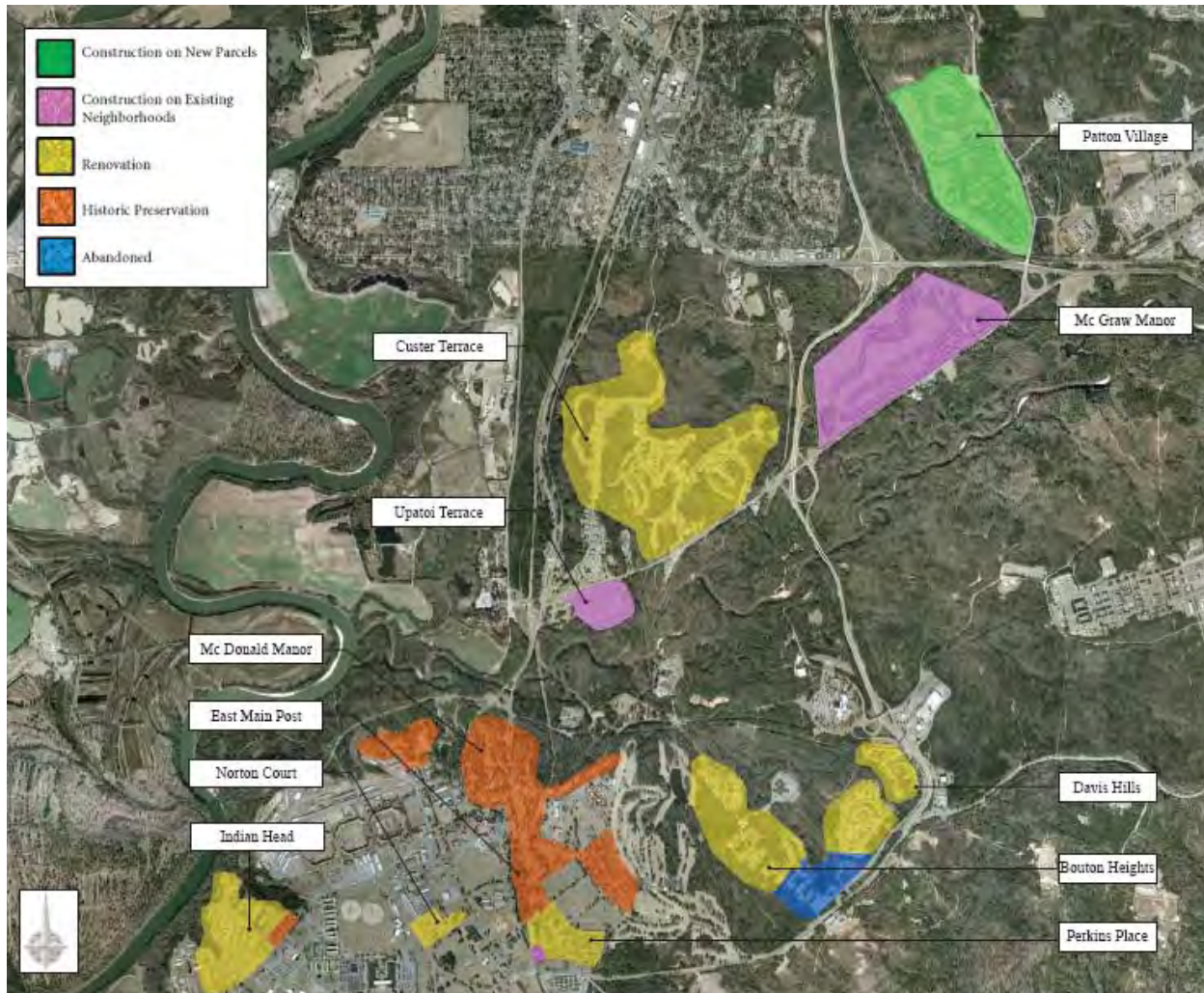
The overall MSP construction timeline will be consistent with the planned ten year IDP at closing to achieve substantial completion on or before December 2015. Consistent with the original treatment of the renovation scope, (b) (4)

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2. *Master Planning*

The end-state family housing at Fort Benning will consist of a mixture of new houses, renovated houses, and historic houses. The following map highlights each of Fort Benning's neighborhoods and their respective end-state development scope:



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HMA:

In 2008, the Army updated the Family Housing Market Analysis for Fort Benning. The new HMA indicates a change to both the end-state number of houses as well as the required rank mix. The following charts depict the 2008 HMA on-Post requirements by rank and bedroom:

2008 FINAL HMA	2Br	3Br	4Br	Total
O7			4	4
O6			39	39
O5		51		51
O4		106	6	112
O3	59	136	65	260
O2	29	41	21	91
O1	6	11	10	27
Total Officer	94	345	145	584
W5		1		1
W4		5	1	6
W3		11	19	30
W2	3	8	7	18
W1	3	7	7	17
Total Warrants	6	32	34	72
E9		18	8	26
E8		34	81	115
E7		183	395	578
E6	157	162	552	871
E5	241	146	342	729
E4	422	144	175	741
E3	96	18	18	132
E2	22	4	5	31
E1	18	4	2	24
Enlisted	956	713	1,578	3,247
Total	1,056	1,090	1,757	3,903

2003 FHMA	2Br	3Br	4Br	Total
Total	1,468	1,388	1,344	4,200
Officers	170	240	120	530
O6+	0	0	28	28
W4-O5	0	160	38	198
W1-O3	170	80	54	304
Enlisted	1,298	1,148	1,224	3,670
E7-E9	0	264	172	436
E1-E6	1,298	884	1,052	3,234

2008 FHMA	2Br	3Br	4Br	Total
Total	1,072	1,125	1,783	3,980
Officers	101	380	187	668
O6+	0	0	43	43
W4-O5	0	163	11	174
W1-O3	101	217	133	451
Enlisted	971	745	1,596	3,312
E7-E9	0	246	494	740
E1-E6	971	499	1,102	2,572

HMA DELTA	2Br	3Br	4Br	Total
Total	(396)	(263)	439	(220)
Officers	(69)	140	67	138
O6+	0	0	15	15
W4-O5	0	3	(27)	(24)
W1-O3	(69)	137	79	147
Enlisted	(327)	(403)	372	(358)
E7-E9	0	(18)	322	304
E1-E6	(327)	(385)	50	(662)

The MSP addresses the new HMA rank requirements through the following broad neighborhood rank designation schedules:

Patton:	E5 – E8	McGraw:	E5 – E8
Custer:	E1 – E4	Upatoi:	E7 – E9
Davis:	E1 – E5	Bouton:	E1 – E4
Perkins:	O1 – O3	Historics:	O3 – O7
Norton:	O1 – O3	Indianhead:	E1 – E4

More specifically, the property manager will attempt to achieve the following rank bedroom mix, consistent with the 2008 HMA, using the above designation schedule as the rule for assignments:

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TOTAL END STATE INVENTORY (2008 HMA)					
LOCATION	GRADE	2BR	3BR	4BR+	TOTAL
OFFICER:					
East Main Post (Historic)	O7+			4	4
East Main Post (Iron Triangle)	O6		39		39
East Main Post (Iron Triangle)	O5		35		35
East Main Post (Eames / Lump)	O5			16	16
East Main Post (Eames / Lump)	O4			13	13
East Main Post (Rainbow)	O4		33		33
East Main Post (AMS)	O4		66		66
East Main Post (AMS)	W3-5		37		37
East Main Post (AMS)	O3		29		29
East Main Post (White Elephants)	O3		120		120
Perkins	O3		9	102	111
Perkins	O2		11	43	54
Norton Court	O2		37		37
Perkins	O1			7	7
Norton Court	O1		20		20
Norton Court	W1-2		35		35
Total Officer			471	185	656
ENLISTED:					
Upatoi	E9		18	8	26
Upatoi	E8		26	55	81
Patton	E8		8	26	34
Patton	E7		434	144	578
Patton	E6		52		52
McGraw	E6		407	184	591
Davis	E6			228	228
Davis	E5			112	112
MacDonald Manor	E5	83			83
Indianhead Historics	E5		18		18
Indianhead Duplexes	E5			140	140
Custer	E5		274	48	322
Custer	E4	-	164	50	214
Indianhead Towns	E4		57	223	280
Bouton Towns	E4	44	220	94	358
Custer	E3	39	36	-	75
Custer	E2	22	9	-	31
Custer	E1	16	8	-	24
Total Enlisted		204	1,731	1,312	3,247
FORT BENNING total		204	2,202	1,497	3,903
Porter Village, Dahlongega, GA					
Dahlongega (Existing)	E1-E6	15	11	3	29
Dahlongega (Existing)	E7-E9		4	4	8
Dahlongega (Existing)	O1-O3	1		1	2
Dahlongega (Existing)	O4-O5			1	1
Dahlongega (New)	E1-E6		10	5	15
Dahlongega (New)	E7-E9		7	6	13
Dahlongega (New)	O1-O3		3	3	6
Dahlongega (New)	O4-O5			3	3
DAHLONEGA Total		16	35	26	77
surplus:					
Norton Court	surplus		20		20
Total Surplus		-	20	-	20
PROJECT TOTAL		220	2,257	1,523	4,000

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Challenges:

This Project faces an unresolved noise issue arising from increased firing range use as a result of BRAC (see Exhibit 3 – Proposed BRAC Noise Contours). Specifically, increased activity at Fort Benning’s Red Cloud Range threatens to create “Noise Zone 3” contours affecting the Davis and Bouton housing areas. In the worst-case scenario, Fort Benning may deem a significant number of houses in the Davis and Bouton areas incompatible with residential use causing significant financial damage to the Project. Because this situation is evolving and the final decision is not expected until early FY2010, the following pre-conditions must be met before the Project initiates any future development activity in either the Davis or Bouton housing areas:

1. Project has achieved a final and favorable noise resolution in the form of a “green light” from the Fort Benning Garrison Commander and Environmental Management Division; and,
2. Project’s Net Operating Income is projected to adequately support the capital requirement contemplated for use in the Davis or Bouton neighborhoods.

If either condition 1 or 2 is not met, the scope of work described in this MSP for the Davis and Bouton neighborhoods will not be initiated and the anticipated cost of these phases, \$20 million, will be deemed “unsupportable debt,” as later described in the finance section of this MSP.

3. *Initial Development Plan*

Patton Village:

Closing Scope: Patton Village is a green field development. At the completion of new construction, the site was to contain new homes for Junior and Senior Enlisted personnel and an outdoor pool and Village Center.

Modified Scope: Patton Village will contain 113 fewer new units and will be re-designated as an E5-E8 neighborhood.

McGraw Village:

Closing Scope: McGraw Village contained 952 existing multiplex and duplex housing units, all of which were scheduled for demolition and replacement with new homes for Junior and Senior Enlisted personnel. McGraw has a Village Center and an outdoor pool.

Modified Scope: McGraw Village will contain 17 fewer new units and will be re-designated as an E5-E8 neighborhood.

Custer Village:

Closing Scope: Custer Village is the largest in land area of the existing villages. All of its 866 existing single, duplex, and townhome housing units were to be demolished and

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replaced with new homes for junior enlisted and senior enlisted personnel. Custer Village was planned to have four new neighborhoods, a Village Center and a renovated outdoor pool. The Village Center and new pool are currently under construction.

Modified Scope: The 866 existing units will be remodeled in accordance with the Detailed Hard Cost Breakdown to include unit conversions of 400 units to add square footage, yielding a final end state of 666 units. The neighborhood will be designated as an E1-E4 neighborhood. Additionally, the existing pool that is beyond repair will be demolished.

Upatoi Village:

Closing Scope: Upatoi Village is a small village that is convenient to Main Post. The existing 150 housing units were scheduled for replacement with 131 new Officer homes.

Modified Scope: Upatoi Village will contain 107 new units and will be re-designated as an E7-E9 neighborhood.

Indianhead Village:

Closing Scope: Indianhead Village has 436 existing multiplex and duplex housing units of which 296 units were scheduled for renovation with the remainder scheduled for demolition. The demolition units were a Ground Lease requirement as the underlying land was to be a “return parcel.” An approved Major Decision reversed this requirement and thus the underlying land and 140 units are now retained by the Project. Indianhead Village’s 18 historic homes (not included in the above unit counts) received renovation to their associated detached garages. Indianhead Village was scheduled to receive one Neighborhood Center, a swimming pool, and playing fields.

Modified Scope: Indianhead Village will remain a renovation neighborhood designated for E1-E4. There will now be 124 additional units renovated—the 140 “Major Decision” units less 16 demolished units to make room for a new Village Center. The Village Center is larger than the originally planned Neighborhood Center since the amenity will service a larger number of homes.

Bouton Heights / Davis Hill:

Closing Scope: All 710 Bouton Heights and Davis Hill units (duplex and fourplex) were scheduled for renovation. Additionally, a Village Center and swimming pool were included in the plan.

Modified Scope: The neighborhoods will be designated for E1-E4. The renovation scope, per the “Challenges” discussion of the Master Planning Section, is contingent upon: 1) Project achieving a final and favorable noise resolution in the form of a “green light” from the Fort Benning Garrison Commander and Environmental Management Division; and, 2) the Project achieving a projected Net Operating Income that is adequate to support the debt capital contemplated for use in the Davis or Bouton neighborhoods. If

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both conditions are not met, the associated cost of the work (b) (4)

Perkins Village:

Closing Scope: Perkins Village had 180 duplexes with 8 scheduled to be demolished (to create space for the Welcome Center, pool, and cabana). The remaining 172 units were scheduled for renovation. The neighborhood was designated as an Officer and Senior Enlisted neighborhood. The scheduled Welcome Center and associated amenities have been completed.

Modified Scope: Perkins Village will remain a renovation neighborhood and will be designated for Company Grade Officers.

Norton Village:

Closing Scope: Norton Village's 112 multiplexes were scheduled for renovation.

Modified Scope: Of the 112 existing units, only 80 will receive work.

Porter Village:

Closing Scope: Porter Village has 40 existing single-family homes, which were constructed in 1996 and require no renovations during the IDP. Porter Village was scheduled to receive 37 additional single-family homes as well as a new swimming pool and cabana.

Modified Scope: No changes are contemplated. The Closing Scope has been completed.

Historic Renovations:

Closing Scope: Originally 272 Historic Homes were scheduled to receive renovations that include a new kitchen and first-floor half bath.

Modified Scope: Per the new HMA requirements, two of the field grade Historic Homes will be converted to General Officer's Quarters in accordance with the Detailed Hard Cost Breakdown. If Fort Benning receives BRAC or GTA funding for this requirement, the funds currently budgeted for the GOQ renovations will be applied to the Custer Village renovation scope.

4. Out-Year Development Plan

The closing out-year plan included a mixture of new construction and minor, medium, and major renovations during the 40 years following the IDP.

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Out-Year Development Plan Funds Available	Closing Pro Forma	MSP
Years 11 - 20	(b) (4)	
Years 21 - 40		
Years 41 - 50		
TOTAL		

The MSP out-year plan will include component replacement, unit renovations, and replacement of non-historic housing units with a priority given to the existing homes that received the least renovation dollars during the IDP. Although the cash flows generated by the Project in the out-years are estimated to be (b) (4) than closing pro forma assumptions, FBFC anticipates that all units receiving renovations during the IDP will be demolished and replaced with new units as part of the out-year development plan. As the end of the IDP approaches, however, FBFC will re-evaluate the out-year redevelopment plan to determine how best to deploy the Community Reinvestment Fund capital.

Below is a 50-year Christmas Tree Chart that details the out-year development plan under the current assumptions:

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(b) (4)



The MSP out-year redevelopment program is in addition to Pinnacle's Property Management and Capital Repair and Replacement Plans that provide for the replacement of items that have an economic life of less than 10 years as well as complete unit make-ready procedures during change of occupancy.

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5. Construction Plan**Detailed Hard Cost Breakdown:**

The table below indicates details on each unit type to be remodeled per the MSP. The costs indicated in this table are “all-in” and (b) (4)

Indianhead Village Townhomes								
Unit	Sq Ft	Bdrm	Bthrm	Type	Key Scope Items	# of Units	Cost Per Unit	Total
W-4	1,017	3	2	Town	HVAC and upgrades as needed for kitchen, bath, electrical, roof, gutters, landscaping, fence, façade, insulation, flooring, appliances and paint	6	(b) (4)	
W-5	1,213	4	3	Town	HVAC and upgrades as needed for kitchen, bath, electrical, roof, gutters, landscaping, fence, façade, insulation, flooring, appliances and paint	28	(b) (4)	
W-6	1,067	3	1.5	Town	HVAC and upgrades as needed for kitchen, bath, electrical, roof, gutters, landscaping, fence, façade, insulation, flooring, appliances and paint	42	(b) (4)	
W-7	1,239	4	2.5	Town	HVAC and upgrades as needed for kitchen, bath, electrical, roof, gutters, landscaping, fence, façade, insulation, flooring, appliances and paint	204	(b) (4)	
Total						280	(b) (4)	

Indianhead Village Duplexes								
Unit	Sq Ft	Bdrm	Bthrm	Type	Key Scope Items	# of Units	Cost Per Unit	Total
U-3	1,250	3	2	Duplex	HVAC and upgrades as needed for kitchen, bath, electrical, roof, gutters, landscaping, fence, façade, insulation, flooring, appliances and paint	68	(b) (4)	
U-4	1,250	4	2	Duplex	HVAC and upgrades as needed for kitchen, bath, electrical, roof, gutters, landscaping, fence, façade, insulation, flooring, appliances and paint	72	(b) (4)	
Total						140	(b) (4)	

Perkins Village Duplexes								
Unit	Sq Ft	Bdrm	Bthrm	Type	Key Scope Items	# of Units	Cost Per Unit	Total
U-1	1,396	4	2	Duplex	HVAC and upgrades as needed for kitchen, bath, electrical, roof, gutters, landscaping, fence, façade, insulation, flooring, appliances and paint	70	(b) (4)	
U-2	1,396	4	2	Duplex	HVAC and upgrades as needed for kitchen, bath, electrical, roof, gutters, landscaping, fence, façade, insulation, flooring, appliances and paint	82	(b) (4)	
W-11	1,323	3	1	Duplex	HVAC and upgrades as needed for kitchen, bath, electrical, roof, gutters, landscaping, fence, façade, insulation, flooring, appliances and paint	20	(b) (4)	
Total						172	(b) (4)	

Custer Village Duplexes								
Unit	Sq Ft	Bdrm	Bthrm	Type	Key Scope Items	# of Units	Cost Per Unit	Total
T-1	1,141	3	1	Duplex	HVAC and upgrades as needed for kitchen, bath, electrical, roof, gutters, landscaping, fence, façade, insulation, flooring, appliances and paint	244	(b) (4)	
B	1,936	3	2	Conversion	HVAC and upgrades as needed for kitchen, bath, electrical, roof, gutters, landscaping, fence, façade, insulation, flooring, appliances and paint	102	(b) (4)	
B	1,050	3	2	Duplex	HVAC and upgrades as needed for kitchen, bath, electrical, roof, gutters, landscaping, fence, façade, insulation, flooring, appliances and paint	80	(b) (4)	
Total						426	(b) (4)	

Custer Village Townhomes								
Unit	Sq Ft	Bdrm	Bthrm	Type	Key Scope Items	# of Units	Cost Per Unit	Total
A	1,682	4	3	Conversion	HVAC and upgrades as needed for kitchen, bath, electrical, roof, gutters, landscaping, fence, façade, insulation, flooring, appliances and paint	50	(b) (4)	
C	1,902	4	3	Conversion	HVAC and upgrades as needed for kitchen, bath, electrical, roof, gutters, landscaping, fence, façade, insulation, flooring, appliances and paint	48	(b) (4)	
D	1,116	3	2.5	Town	HVAC and upgrades as needed for kitchen, bath, electrical, roof, gutters, landscaping, fence, façade, insulation, flooring, appliances and paint	48	(b) (4)	
Total						146	(b) (4)	

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Custer Village Single Family Homes								
Unit	Sq Ft	Bdrm	Bthrm	Type	Key Scope Items	# of Units	Cost Per Unit	Total
F	762	2	1	Single	HVAC and upgrades as needed for kitchen, bath, electrical, roof, gutters, landscaping, fence, façade, insulation, flooring, appliances and paint	39	(b) (4)	
H	1,218	3	2	Single	HVAC and upgrades as needed for kitchen, bath, electrical, roof, gutters, landscaping, fence, façade, insulation, flooring, appliances and paint	55		
Total						94		

Davis Hill Duplexes								
Unit	Sq Ft	Bdrm	Bthrm	Type	Key Scope Items	# of Units	Cost Per Unit	Total
DH-1	1,057	2	1	Duplex	Upgrade windows to higher STC Classification	44	(b) (4)	
DH-2	1,436	4	2	Duplex	Upgrade windows to higher STC Classification	34		
DH-3	1,204	4	2	Duplex	Upgrade windows to higher STC Classification	283		
DH-4	1,495	5	2	Duplex	Upgrade windows to higher STC Classification	9		
Total						370		

Bouton Heights Townhomes								
Unit	Sq Ft	Bdrm	Bthrm	Type	Key Scope Items	# of Units	Cost Per Unit	Total
Y-1	1,175	3	2.5	Town	HVAC and upgrades as needed for kitchen, bath, electrical, roof, gutters, landscaping, fence, façade, insulation, flooring, appliances and paint	32	(b) (4)	
Y-2	1,225	3	2.5	Town	HVAC and upgrades as needed for kitchen, bath, electrical, roof, gutters, landscaping, fence, façade, insulation, flooring, appliances and paint	48		
Y-3	1,074	3	1.5	Town	HVAC and upgrades as needed for kitchen, bath, electrical, roof, gutters, landscaping, fence, façade, insulation, flooring, appliances and paint	150		
Y-4	1,204	4	2.5	Town	HVAC and upgrades as needed for kitchen, bath, electrical, roof, gutters, landscaping, fence, façade, insulation, flooring, appliances and paint	110		
Total						340		

Norton Village Townhomes								
Unit	Sq Ft	Bdrm	Bthrm	Type	Key Scope Items	# of Units	Cost Per Unit	Total
W-10	1,078	3	1.5	Town	Replace Boilers with Forced Air Furnaces	80	(b) (4)	
W-12	982	3	1.5	Town	No Work	32		
Total						80		

Eames Single Family Homes								
Unit	Sq Ft	Bdrm	Bthrm	Type	Key Scope Items	# of Units	Cost Per Unit	Total
500	2,851	4	2	Single	Add a half bath and upgrade the units to the appropriate level of finishes for a General Officer	1	(b) (4)	
309	3,126	4	2	Single	Add a half bath and upgrade the units to the appropriate level of finishes for a General Officer	1		
Total						2		

MODIFIED SCOPE PLAN

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The following chart is the Hard Cost Summary:

Renovation

Neighborhood	# of Units	Avg Cost / Unit	Total
Indianhead Townhomes	280	(b) (4)	
Indianhead Duplex	140		
Perkins Duplex	172		
Custer Village Duplex			
Unit T-1	244		
Unit B	102		
Unit B (Conversions)	80		
Custer Village Townhomes			
Unit A (Conversions)	50		
Unit C (Conversions)	48		
Unit D	48		
Custer Village Singles			
Unit F	39		
Unit H	55		
Davis Hill Duplex	370		
Bouton Heights Townhomes	340		
Norton Townhomes	80		
GOQ Eames Single Family	2		
Subtotal Renovation	2,050		

Amenities

Category	# of Units	Cost / Unit	Total
New Village Center	2	(b) (4)	
Pool	2		
Basketball Court	2		
Playfield	2		
New Tot Lots	30		
Subtotal			

Demolition

Category	# of Units	Cost / Unit	Total
Demo for New Village Center	4	(b) (4)	
Demo Custer Swimming Pool	1		
Abatement Allowance			
Subtotal			

(b) (4)	Subtotal	\$	(b) (4)
	CCIP	\$	
		\$	
	General Conditions	\$	
		\$	
	Overhead	\$	
		\$	
	Fee	\$	
		\$	
	Bonds	\$	
		\$	
Total Hard Costs		\$	

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Structure of the Construction Agreement:

The original Construction Agreement was structured with (b) (4)
Consistent with this original structure, the MSP renovation budget will be treated
as (b) (4)
. This phase is
scheduled to be complete in the first quarter of FY2010; (b) (4)

Neighborhood Infrastructure Strategy:

Indianhead, Perkins, Custer and Bouton: Electricity and telecommunications serving homes in these villages will continue to be provided by privatized overhead infrastructure, owned and maintained by Georgia Power and/or Flint EMC. Water and sanitary sewer will continue to be served via a privatized system owned, maintained, and operated by Columbus Water Works. Storm drain systems will continue to be owned and maintained by Fort Benning's Directorate of Public Works. Natural gas infrastructure will continue to be operated and maintained by the owner of the privatized system, Atmos Gas.

Davis: Electricity and telecommunications serving homes in this village will continue to be provided via privatized underground infrastructure that is owned and maintained by Flint EMC. Water and sanitary sewer will continue to be served via a privatized system that is owned, maintained, and operated by Columbus Water Works. Storm drain systems will continue to be owned and maintained by Fort Benning's Directorate of Public Works. Natural gas infrastructure will continue to be operated and maintained by the owner of the privatized system, Atmos Gas.

Norton Village: Electricity and telecommunications serving homes in this village will continue to be provided via privatized overhead infrastructure that is owned by Flint EMC. Water and sanitary sewer will continue to be served via a privatized system that is owned, maintained and operated by Columbus Water Works. Storm drain systems will continue to be owned and maintained by Fort Benning's Directorate of Public Works. Natural gas infrastructure will continue to be operated and maintained by the owner of the privatized system, Atmos Gas.

Development Budget Summary:

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	Closing Budget	MSP Budget	Difference	Spent to Date	Soft Costs
Architecture and Engineering	(b) (4)				
Geotechnical and Utility Consultants					
Environmental Fund					
Development Reimbursables					
Accounting and Tax					
Public Relations & Community Involvement					
Furnishings, Fixtures, and Equipment					
Impact and Utility Fees					
Builder's Risk					
Permits and Inspections					
Moving Expenses					
Development Fees					
Hard Cost Escalation Factor					
Land Acquisition Costs / Allowance for Porter Topo					
Deferred Maintenance (Capital Repair / Replacement)					
Contingency					
Borrower: Legal & Accounting					
Closing Costs					
TOTAL					

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FINANCIAL PLAN

1. *Financial Overview*

The (b) (4) funding variance is largely attributable to significant variances in Net Operating Income. Additionally, FBFC estimates that (b) (4)

Net Operating Income:

The total Net Operating Income variance of (b) (4) is based on actual performance (IDP years 1, 2, and 3) and projected performance (IDP years 4 through 10). The current portion of the variance is (b) (4) (inception to date) with a future portion projected at (b) (4). The three main drivers of the negative operating income variance are occupancy, BAH and operating expenses:

Occupancy: Lower than expected occupancy since closing has resulted in a current and projected (b) (4). To date, the Project is well behind pro forma occupancy targets, with the single largest contributing factor being the deployment of the 3rd ID. The 3rd ID is scheduled to deploy again in late 2009, meaning the Project could lose approximately 300 families as a direct result of the deployment. Additionally, occupancy at closing (January 2006) was 200 units less than the Army had indicated, causing the Project to start out "in the hole." While absolute increases in occupancy have exceeded those anticipated in the pro forma, the impact of 200 fewer units occupied has an impact of approximately \$(b) (4) million per year. FBFC assumes that the Project will achieve a stabilized occupancy of (b) (4) units ((b) (4) of the original 2006 closing HMA and (b) (4) of the recent 2008 HMA update).

BAH: Fort Benning BAH rates have varied considerably since inception and have an annualized growth rate less than pro forma assumptions. This lower than anticipated BAH growth rate has resulted in a current and projected (b) (4) variance. BAH growth rate assumptions for the MSP are (b) (4) (vs. (b) (4) closing pro forma).

Operating Expenses: The portion of the NOI variance attributable to higher than expected operating expenses is (b) (4). The main driver of the expense variance is unit turns -- both cost and quantity (the cost to turn a unit is higher than originally anticipated and the property manager is performing more turns than originally anticipated). The key assumptions for the projected variance are (b) (4) of units online turned each year and (b) (4) annual expense growth.

GIC Earnings:

Investment agreements with AIG were terminated in September 2008 following the AIG downgrade and all capital previously invested with AIG has been returned to FBFC. Funds have been re-invested in the (b) (4)

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FBFC continues to look for other higher-yielding re-investment strategies and has assumed we will achieve a blended yield of (b) (4)

Unsupportable Debt:

Given the current assumptions listed above, FBFC anticipates that approximately (b) (4) of its closing debt will be unsupportable once the debt starts to fully amortize in 2016. FBFC has (b) (4) to address its unsupportable debt:

(b) (4)

(b) (4)

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Updated Sources and Uses:

Sources	Closing Pro Forma	MSP	Variance
Net Operating Income	(b) (4)		
Equity			
Debt Funding			
GIC Interest			
Total Sources			

Uses	Closing Pro Forma	MSP	Variance
Development Costs	(b) (4)		
Interest Expense			
Fees			
Total Uses			
Surplus / (Deficit)			

The MSP does not contemplate changing the terms of service provider fees, equity contributions, equity returns, or MHPI authorities utilized by the Project.

2. *Projected Financial Pro Forma*

Please see the updated MSP pro forma for detailed analysis on the operating budget, development budget, and cash flow summaries for both the IDP and ODP (Exhibit 4). Key assumptions for the pro forma are listed below:

Key Assumptions	IDP	ODP
BAH Growth	(b) (4)	
OPEX Growth		
Blended Interest Rate on Investments		
Annual Escalation Factor		
Stabilized Units Online		
Stabilized Units Occupied		
Stabilized Occupancy		

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3. *Debt Competition Analysis*

N/A

4. *Lockbox Accounts*

Currently, the Operating Agreement and Project Financing Documents (b) (4)

5. *Fees and Equity*

There is no proposed change to the Service Provider fee structures or the Managing Member equity structure. (b) (4)

6. *Government Investment*

The Fort Benning Directorate of Public Works (DPW) is requesting funds via DD Form 1391 for the two additional General Officer Quarters and noise abatement associated with the new BRAC noise contours (see "Challenges" of the Master Planning Section).

7. *Investment Strategy*

As discussed in the Financial Overview section of this document, the Project currently has approximately (b) (4)

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LEGAL AND GOVERNANCE PLAN

1. *Summary of Changes*

The MSP must be approved by the Department of the Army and Trimont, the Bondholder Representative. After receiving Army approval, the Managing Member (Clark Pinnacle Benning, LLC), will seek Bondholder Representative approval of the plan.

The original Construction Agreement indicated that (b) (4). Consistent with this original structure, the MSP Renovation Budget is an (b) (4). Although (b) (4) on completed and committed work are anticipated to be (b) (4) the last construction phase (b) (4) (and hence subject to savings) is the Upatoi Village phase. This phase is scheduled to be complete in the first quarter of FY2010; therefore, (b) (4)

(b) (4)

There are no proposed changes to the closing legal structure.

2. *Major Decisions*

To date, the Project has executed three approved Major Decisions, all of which occurred in 2008: 1) Sublease to AAFES for Starbucks and Day Spa; 2) Amendment to Ground Lease to retain Indianhead Terrace West parcel; and, 3) Amendment to Asset Management Agreement to clarify the definition of Net Operating Income.

3. *Tax Implications*

There are no known tax changes associated with this MSP action.

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July 2009

PROPERTY MANAGEMENT OPERATIONS PLAN

1. *Property Management Overview*

There are no anticipated changes to the Property Management Plan or Resident Services associated with the MSP.

2. *Operations Plan Overview*

The following table compares 2008 actual operating expenses to the 2008 closing pro forma operating expenses.

	Pro Forma		Actual		Difference		2009 Budget		2010 MSP Assumptions	
	Total	Per Unit	Total	Per Unit	Total	Per Unit	Total	Per Unit	Total	Per Unit
	2008	2008	2008	2008	2008	2008	2009	2009	2010	2010
Average Units On Line	(b) (4)									
Effective Gross Income										
<u>EXPENSES</u>										
Salaries & Personnel										
Administrative Expenses										
Marketing Expense										
Repairs & Maintenance										
Cleaning & Decorating Expense										
Contract Services										
Utilities										
Taxes & Insurance										
Total Base Management Fee										
Total Operating Expenses										
Net Operating Income										

Refer to Exhibit 4 – Pro Forma “Operating Expenses Detail” tab for the detailed monthly budget.

In support of the 2008 HMA and in an attempt to increase Project NOI, the Project has re-designated neighborhoods rank requirements (see Master Planning Section). This action will align the availability of houses with the future requirements of Fort Benning and the Maneuver Center of Excellence (the BRAC action to relocate the Armor School from Fort Knox to Fort Benning). Neighborhood rank re-designation will position the Project to increase the number of E5-E8 families that reside in FBFC housing and effectively increase the average BAH and Project NOI.

3. *Maintenance Plan*

The Project closed with an (b) (4) Capital Repair and Replacement budget. Pinnacle anticipates that the (b) (4) remaining in this account will be sufficient to cover all Capital Repairs throughout the remainder of the IDP.

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July 2009

Capital Repair & Replacement Expenses	Pro forma	Actual	Difference
2006 Expenses	(b) (4)		
2007 Expenses			
2008 Expenses			
2009 YTD Expenses			
TOTAL			

4. Resident Services Changes

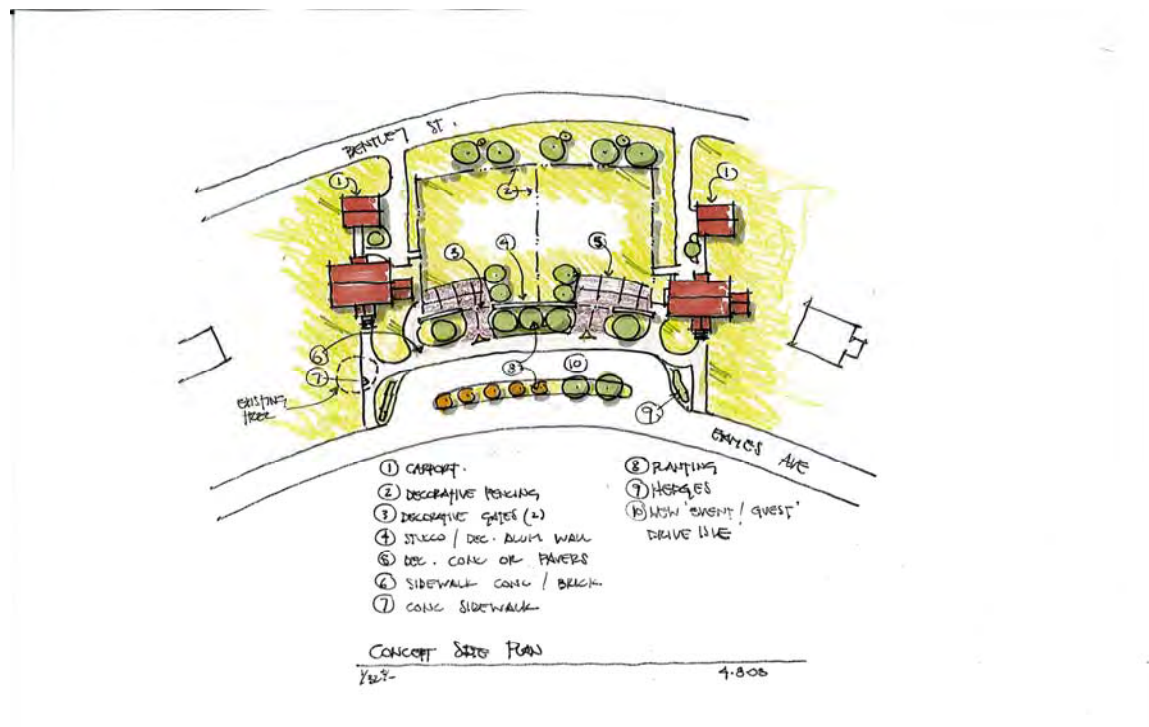
Pinnacle does not anticipate any major changes in the level or type of services provided to residents. Staffing levels will continue to be evaluated to ensure the Project is providing the best value to its residents.

Mock utility billing in new houses is scheduled to start in September/October of 2009.

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Exhibit 1 – GOQ Site Plan



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Exhibit 2 – Indianhead Pilot Renovation

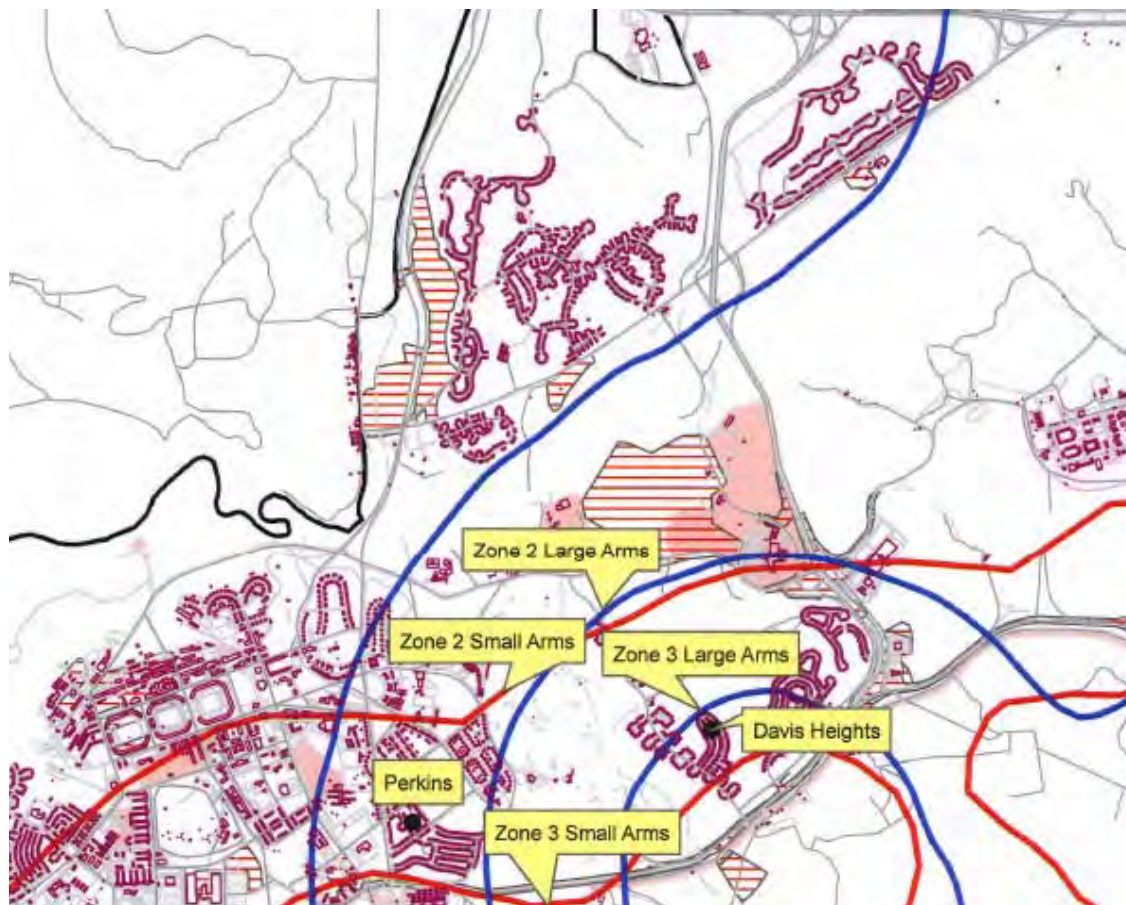
(b) (4)



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Exhibit 3 – Proposed BRAC Noise Contours



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Exhibit 4 – MSP Pro Forma

See attached Excel file.

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Exhibit 5 – Closing Christmas Tree Chart

(b) (4)



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Exhibit 6 – Closing Amenity Charts

(b) (4)



**Fort Benning Family Communities LLC
Residential Communities Initiative
Army Comments**

Pro Forma File Name: Benning MSP Pro Forma Draft 1.xls

No.	Sheet	Reference	Comment	Response
	N/A	N/A	Where possible, please provide actual data for months and line items. The MSP Pro Forma should reflect to date actual performance as much as possible.	Actual data is provided thru April 2009. Any blue number is also either an assumption or actual data.
	Assumptions and S&U	Cell I12	Post-IDP Occupancy is projected to be (b) (4). Will this be attainable given the amount of renovations projected in lieu of new unit construction?	Stabilized occupancy is (b) (4) on the closing HMA. However, the Project is reconsidering its stabilized occupancy assumptions.
	IDP Cash Flow	Row 3 & 49	What is driving the difference between Remaining Cash Flow and Beginning of Month balances for Aug 08 to Apr 09?	Beginning of month balances (in blue) are updated monthly to reflect the actual beginning of month balance.
	IDP Cash Flow	Cell B51	Please clarify Pro Forma GIC earnings are from Closing Pro Forma. To avoid confusion, we suggest addressing distinguishing between Closing Pro Forma and MSP Pro Forma when possible.	Correct. Will update for 2nd draft.
	Post-IDP Cash Flow	Row 6	Please explain what is included in the Community Reinvestment Fund	The Community Reinvestment Fund (CRF) is a running (b) (4). The account is used to fund out-year development.
	Post-IDP Cash Flow	Cell B28 & B29	Please clarify the name Army Preferred Return.	Deposits to the Community Reinvestment Fund per Sections 6.2(b)(iii) and 6.2(c)(iii) of the Operating Agreement.
	Recapitalization	Cell B30 & B42	Please provide the Number of Units Recapitalized Each Year for Years 11-20 & 21-40.	The First Draft MSP Pro Forma assumes that the Community Reinvestment Fund is (b) (4) the end of each year. The 2nd draft will have more information regarding the number of units recapitalized each year.
	Operating Pro Forma	Cells U9-AB9	Why are EOM Units Occupied given an additional 40 units each month from Jan 10-Aug 10?	This is based on estimated influx of personnel as well as delivery of new and renovated units contributing to occupancy. As we refine the MSP, we will continue to re-look our occupancy assumptions.
	Operating Pro Forma	Cell CC11-IN11	Occupancy is projected at (b) (4) from Jan 15 to Dec 28. Is this realistic given the decrease in new construction and increase in renovations?	See number 2 above.
	Operating Pro Forma	Row 44	When calculating expenses per unit, please use an average of units online.	Will update for 2nd draft. Annual expenses per online unit are also listed below in Row 70 of the same tab.
	Operating Expenses Detail	Row 53	It does not appear Row 53 is linked to other cells. Can you please explain its significance.	Row 53 is linked to several Repairs & Maintenance line items. Its purpose is to accurately predict R&M expenses during the heavy season for these items (Feb - Aug).
	Operating Expenses Detail	Cells D122-D128	Are these numbers actuals from July 2008? An average of utility expenses over a year may be a more accurate number to be used for projections.	Yes. The actual rates per unit in 2008 are escalated at (b) (4) to predict utility expenses going forward.
	Phase Cost Detail	Cell G6	Please explain the negative cost in this cell?	McGraw Phase 1 close-out resulted in \$(b) (4) back to the project (unused allowances).
	Phase Cost Detail	Cell X48-CL48	What are the consequences of for the months with a projected NOI shortfall?	The NOI Shortfall row reflects the actual amount drawn from the Construction Fund after disbursement of all fees and expenses for the month.

**Fort Benning Family Communities LLC
Residential Communities Initiative
Army Comments**

Pro Forma File Name: Benning MSP Pro Forma Draft 1.xls

No.	Sheet	Reference	Comment	Response
	Escalation	Cell B12	Why is Upatoi escalation deducted from the remaining balance?	Escalation for Upatoi has already been executed and is excluded from the (b) (4)
	Phasing Schedule / "Christmas Tree Chart"	McGraw Manor	The "Christmas Tree Chart" in the MSP indicates 127 new units are expected to be delivered in the McGraw Manor Housing Area in 2010, however according to the MSP PF, 100 of the 127 new units are expected to be delivered in 2009. Please ensure these two documents are consistent	The Christmas Tree Chart has been updated to reflect the values set forth in the MSP draft pro forma.
	Phasing Schedule / "Christmas Tree Chart"	Historics	The "Christmas Tree Chart" in the MSP indicates 25 renovations are expected to be completed in 2009, however according to the MSP PF, 48 renovations are expected to be delivered in 2009. Please ensure these two documents are consistent	The Christmas Tree Chart has been updated to reflect the values set forth in the MSP draft pro forma.
	Phasing Schedule / "Christmas Tree Chart"	Historics	The "Christmas Tree Chart" in the MSP indicates 25 renovations are expected to be completed in 2010, however according to the MSP PF, 24 renovations are expected to be delivered in 2010. Please ensure these two documents are consistent	The Christmas Tree Chart has been updated to reflect the values set forth in the MSP draft pro forma.
	Phasing Schedule / "Christmas Tree Chart"	Historics	The "Christmas Tree Chart" in the MSP indicates 24 renovations are expected to be completed in both 2011 and 2012, however according to the MSP PF, 0 renovations are expected to be delivered in 2011 and 2012. Please ensure these two documents are consistent	The Christmas Tree Chart has been updated to reflect the values set forth in the MSP draft pro forma.
	Phasing Schedule / "Christmas Tree Chart"	Patton Place	The "Christmas Tree Chart" in the MSP indicates 366 new units are expected to be delivered in the Patton Place Housing Area in 2009, however according to the MSP PF, 343 new units are expected to be delivered in 2009. Please ensure these two documents are consistent.	The Christmas Tree Chart has been updated to reflect the values set forth in the MSP draft pro forma.
	Phasing Schedule / "Christmas Tree Chart"	Upatoi Terrace	The "Christmas Tree Chart" in the MSP indicates 107 new units are expected to be delivered in the Upatoi Terrace Housing Area in 2010, however according to the MSP PF, 42 of the 107 new units are expected to be delivered in 2009. Please ensure these two documents are consistent	The Christmas Tree Chart has been updated to reflect the values set forth in the MSP draft pro forma.
	Phasing Schedule / "Christmas Tree Chart"	Indianhead Terrace	The "Christmas Tree Chart" in the MSP indicates 10 renovations are expected to be completed in the Indianhead Terrace Housing Area in 2009, however according to the MSP PF, 100 renovations are expected to be completed in 2009. Please ensure these two documents are consistent.	The Christmas Tree Chart has been updated to reflect the values set forth in the MSP draft pro forma.
	Phasing Schedule / "Christmas Tree Chart"	Indianhead Terrace	The "Christmas Tree Chart" in the MSP indicates 220 renovations are expected to be completed in the Indianhead Terrace Housing Area in 2010, however according to the MSP PF, 326 renovations are expected to be completed in 2010. Please ensure these two documents are consistent.	The Christmas Tree Chart has been updated to reflect the values set forth in the MSP draft pro forma.
	Phasing Schedule / "Christmas Tree Chart"	Indianhead Terrace	The "Christmas Tree Chart" in the MSP indicates 160 renovations are expected to be completed in the Indianhead Terrace Housing Area in 2011, however according to the MSP PF, 0 renovations are expected to be completed in 2011. Please ensure these two documents are consistent.	The Christmas Tree Chart has been updated to reflect the values set forth in the MSP draft pro forma.
	Phasing Schedule / "Christmas Tree Chart"	Indianhead Terrace	The "Christmas Tree Chart" in the MSP indicates 30 renovations are expected to be completed in the Indianhead Terrace Housing Area in 2012, however according to the MSP PF, 0 renovations are expected to be completed in 2012. Please ensure these two documents are consistent.	The Christmas Tree Chart has been updated to reflect the values set forth in the MSP draft pro forma.
	Phasing Schedule / "Christmas Tree Chart"	Perkins Place	It appears that the delivery expectation of renovations in the Perkins Place Housing Area is lagging by one month in the MSP PF compared to the "Christmas Tree Chart" in the MSP. Please ensure these documents are consistent.	The Christmas Tree Chart has been updated to reflect the values set forth in the MSP draft pro forma.
	Phasing Schedule / "Christmas Tree Chart"	Davis/Bouton	Please ensure the timing of the delivery of the 710 renovations for Davis/Bouton are consistent between the MSP PF and the "Christmas Tree Chart"	The Christmas Tree Chart has been updated to reflect the values set forth in the MSP draft pro forma.

**Fort Benning Family Communities LLC
Residential Communities Initiative
Army Comments**

Pro Forma File Name: Benning MSP Pro Forma Draft 1.xls

No.	Sheet	Reference	Comment	Response
	Phasing Schedule / "Christmas Tree Chart"	Norton Court	The "Christmas Tree Chart" in the MSP indicates 112 renovations are expected to be completed in the Norton Court Housing Area in 2015, however, according to the MSP PF, 112 renovations are expected to be completed between August 2013-January 2014. Please ensure these two documents are consistent.	The Christmas Tree Chart has been updated to reflect the values set forth in the MSP draft pro forma.
	Phasing Schedule / "Christmas Tree Chart"	Custer Terrace	The "Christmas Tree Chart" in the MSP indicates 2 demolitions are expected to be completed in the Custer Terrace Housing Area. Where are the 2 demolitions captured in the MSP PF?	The cost is included with the total cost for the Custer Village Center. The purpose is to make room for the village center. We will adjust the total end state number of units (decrease by 2).
	Phasing Schedule / "Christmas Tree Chart"	Custer Terrace	Please ensure the timing of the delivery of the 866 renovations for Custer Terrace Housing Area are consistent between the MSP PF and the "Christmas Tree Chart"	The Christmas Tree Chart has been updated to reflect the values set forth in the MSP draft pro forma.
	Phasing Schedule	Cell BD90-CA90	It appears that the project will be unable to meet the (b) (4) when the (b) (4). How does the project plan to resolve this issue?	As part of the MSP process, we will request a variance approval from the Bondholder Representative.
	Phasing Schedule	Cell P153, R153-X153, BX153-CE153	Please explain the need for the manual adjustment.	In order to avoid unrealistic swings in occupancy when a phase is taken offline, the manual adjustment ensures that the project realizes steady occupancy growth throughout the IDP.

Representatives of Clark/Pinnacle, Fort Benning, DASA (E&P), and Jones Lang LaSalle met on April 23, 2009, to discuss the first draft of the proposed MSP. The following chart lists comments from the Army that were discussed during the meeting. The Partner will provide further information in the “Partner Response / Summary of Discussion” section of this worksheet.

#	Issue	April MSP Draft	Army Comments	Partner Response / Summary of Discussion
1	HMA	The 2008 final HMA indicates 3,980 homes are needed at Fort Benning/Camp Merrill.	The MSP indicates an end state of 4,212 homes. Why is it financially and programmatically feasible to keep an additional 232 homes on the installation when the HMA indicates it is not required?	<p>I will discuss HMA change with leadership</p> <p>Partner Discussion: Fort Benning did not agree with the 2008 HMA numbers (they challenged the reduction of housing units in-light of BRAC). The 232 units are scheduled to receive either “no work” or light renovation and will provide flexibility, swing space, and a virtually zero-cost additional housing option to the Project.</p>
2	Additional Homes in End State	The new end state homes listed as 4,212 (12 additional renovation homes).	Please discuss the reason for an increase to the end state from the closing documents.	<p>The Project will not demolish an additional 12 units because they will be revenue-producing.</p> <p>Partner Discussion: The additional 12 units are “no touch” units. Since the marginal cost of the units is virtually zero, we do not propose to demolish the units.</p>
3	Noise Units	Fort Benning’s Red Cloud Range threatens to create “Noise Zone 3” affecting the Davis and Bouton housing areas.	Please provide an update on the noise unit concerns.	<p>Rhonda sent an email to Deb Reynolds regarding the approximately 340 homes currently estimated to be included in Zone 3 noise – the Army (BRAC) will have to be prepared to provide funding for new homes if these homes will not continue to be rentable. (Partner rough estimate of (b) (4) per new home.) I will follow-up regarding status and if the installation needs to submit any additional information. I will also e-mail the DA environmental lawyer for additional information.</p> <p>Partner Update: The potential loss of housing units due to BRAC-related noise will (b) (4). Fort Benning reports that they are working through the EIS and continue to explore the noise issues. Mark Connor has been</p>



Fort Benning MSP Review April 23, 2009 Meeting Review & Notes

#	Issue	April MSP Draft	Army Comments	Partner Response / Summary of Discussion
				briefed on the situation.
4	Out-year Development Plan	The MSP will have \$(b) (4) less in out-year development money.	Request an out-year Christmas Tree Chart as provided in the CDMP (page 87). Also, please discuss the impacts of losing over \$(b) (4) in out-year development scope.	Partner Discussion: The second draft MSP will contain a more detailed out-year development plan. The impact of the current out-year funding variance is more renovations in lieu of new construction.
5	Key Assumptions – OPEX Growth & BAH escalation factor	(b) (4) and (b) (4) respectively, on both of these items.	Currently, the Army finds these assumptions acceptable.	
6	Stabilized Occupancy	(b) (4)	Please discuss how the project expects to stabilize occupancy at (b) (4) (March dashboard occupancy at (b) (4))	This item was discussed during the partnering session. The Army remains concerned that this is too high of an assumption considering the current occupancy is (b) (4) and is the highest maintained occupancy the Project has seen. Partner Discussion: We will reconsider our current occupancy assumptions. Currently, Project occupancy is at (b) (4) units. The Project has, in addition to these occupied units, roughly 500 new units either vacant or under construction. Therefore, the stabilized occupancy assumption of (b) (4) units seemed reasonable, especially in-light of the anticipated BRAC-related demand increase.
7	Future Investment Yield	(b) (4)	Please provide an update on the investment status.	The Army reserves comment on this item until more information is received as soon as possible. Partner Update: We plan to keep roughly (b) (4) (b) (4). Within the next 45 days, we expect to invest roughly (b) (4) (b) (4) that match our anticipated draw schedule and earn an expected yield of around (b) (4). For the \$(b) (4) (b) (4), we are considering: 1) (b) (4)



Fort Benning MSP Review

April 23, 2009

Meeting Review & Notes

#	Issue	April MSP Draft	Army Comments	Partner Response / Summary of Discussion
				(b) (4)
8	Custer Village	The single largest change between the closing development program and the MSP is with the Custer neighborhood. This neighborhood was originally scheduled to be demo/new, and will now be renovated.	During tour, request specific discussions regarding the change in this neighborhood.	<p>286 units in Custer Village are under 1000sf. Must consider conversion. Currently occupancy is 79%. Not convince renovation will make these homes marketable</p> <p>Also, no need to renovate all of Custer, possible demo; this will assist in reducing the end state</p> <p>Partner Discussion regarding this change: For the following reasons, we do not currently subscribe to the concept of unit conversions:</p> <ol style="list-style-type: none"> 1. The 2008 HMA has a requirement of more than 1,000 two bedroom units. This is 600 units greater than the projected end-state. 2. Current occupancy in two bedroom units is (b) (4)-the highest of ALL bedroom counts. 3. Based on current occupancy of the two bedroom units, the Project would lose (b) (4) per year in revenue as a direct result of unit conversions.
9	New Home Build Timetable	All new homes under construction are scheduled to be complete no later than December 2010. (pg 2)	If all new homes are under construction, why would it take 20 months for them to be complete? Please discuss.	Partner Discussion: The last new units in the "pipeline" are in Upatoi, and are scheduled to be complete no later than July 2010 (20 months is per the original schedule, including excusable delays).
10	Norton Village	According to page 12 of the draft MSP, 32 less homes will receive work.	What happens to the other 32? Is this sufficient? How are these 32 counted in the charts in the MSP?	Partner Discussion: Norton currently has an occupancy of (b) (4). These units have a relatively high-demand given their proximity to main Post. Additionally, we've considered at least 20 of these units as surplus (see bottom of Total Endstate Inventory Chart, Page 9 of MSP Draft).
11	GOQ Homes	Two of the field grade Historic Homes will be converted to General	(Per HMA requirements.) Is this acceptable to the Army?	This is a BRAC expense. (b) (4)



Fort Benning MSP Review

April 23, 2009

Meeting Review & Notes

#	Issue	April MSP Draft	Army Comments	Partner Response / Summary of Discussion
		Officer's Quarters at (b) (4) /home.		Partner Discussion: (b) (4) <div style="background-color: black; width: 100%; height: 100px;"></div>
12	Development Budget Summary Chart	See chart on page 18.	Why did A&E fees increase? Does the environmental fund include the abatement fund? Why didn't the development reimbursables decrease? Why did borrower: legal and accounting increase-what does it include?	Partner Discussion: 1. A&E fees increased due to (b) (4) <div style="background-color: black; width: 100%; height: 40px;"></div> 2. Yes, the environmental fund did include the Remediation Fund. 3. The length of the IDP did not change; therefore, we do not anticipate a reduction of (b) (4) <div style="background-color: black; width: 100%; height: 40px;"></div> 4. Borrower Legal and Accounting increased due to (b) (4) <div style="background-color: black; width: 100%; height: 40px;"></div>
13	Lockbox Accounts	(b) (4) <div style="background-color: black; width: 100%; height: 80px;"></div>	Why is this? Why do these need to remain in the (b) (4) <div style="background-color: black; width: 100%; height: 40px;"></div>	Funds that are transferred into the Community Reinvestment Fund are (b) (4) <div style="background-color: black; width: 100%; height: 40px;"></div> Partner Discussion: The Operating Agreement and Master Indenture of Trust (MIT), were (b) (4) <div style="background-color: black; width: 100%; height: 80px;"></div>
14	PM Operations Plan		Has an evaluation of PM performance/service provider value been	Can the Army provide portfolio-wide per unit data (i.e. costs per unit online)? Todd to investigate.

#	Issue	April MSP Draft	Army Comments	Partner Response / Summary of Discussion
			conducted as a part of this MSP?	Partner Discussion: Please provide applicable benchmark data.
15	PM Operations Plan – Operations Plan Overview		Why are salaries and personnel, administrative expense and marketing expense higher than projected? (See notes.)	<p>PM Discussion: These expenses are higher than anticipated for the following reasons:</p> <div style="background-color: black; color: white; padding: 5px;">(b) (4)</div> <div style="background-color: black; height: 100px; width: 100%;"></div> <p>from these units was in excess of \$1.3M.</p>
16	Capture Rate	(b) of eligible E1-E4 live in FBFC housing; (b) of eligible E5-E9	Will E5-E9 move into renovated product? (Patton – new; Davis – reno;	Partner Discussion: The MSP proposes a rank re-designation which will designate renovated homes for E1-E4 and new homes for E5-E9, and will ultimately make the Project more



Fort Benning MSP Review

April 23, 2009

Meeting Review & Notes

#	Issue	April MSP Draft	Army Comments	Partner Response / Summary of Discussion
		living in FBFC housing.	McGraw – reno) What is the proposed capture rate in the MSP? Please discuss.	competitive with the local market. The re-designation is expected to have a minimal impact, if any, on the E1-E4 capture rate, while E5-E9 capture rate stands to benefit greatly due to the value FBFC's new homes offer relative to the E5-E9 BAH. To be conservative, we have not increased the expected weighted average BAH.
17	Mock Billing	Currently scheduled June/July 2009 and live billing Sept/Oct 2009.	Please provide update on the status. This needs to commence ASAP.	Pinnacle has selected a billing provider – ISTA. Mock billing is currently scheduled to begin NLT October 1, 2009. Additional Partner Discussion:
18	Project Savings	Recommend executing the (b) (4)	What is the recommended priority list for spending these funds?	Partner Discussion: (b) (4)
19	Additional Government Equity			(b) (4)
20	Conversions & Small Square Footage Homes			During discussions, the Army requested Partner to investigate using conversions for the smaller units in duplexes. Partner Discussion: Discussed in #8 above
21	Two bedroom Homes	There are 112 two-bedroom units in Custer Village Townhomes, 39 two-bedrooms in Custer Village Single Family Homes and 44 two-bedrooms in Davis Hill Duplexes. (Total:	Are these rentable units? Across the portfolio, the Army sees difficulty in the renting of two-bedroom units. Again consider conversions.	PM Discussion: Discussed in #8 above.

#	Issue	April MSP Draft	Army Comments	Partner Response / Summary of Discussion
22	Fireplaces	The MSP will eliminate the fireplaces originally programmed for 42 of the new units, resulting in a \$(b)(7)(A) deductive change order from the GC.		This was agreed upon by the Army during the 23 Apr 09 meeting.
23	Community Centers	It appears as though an additional community center was added in the MSP.	It is the Army's position that additional amenities will not be approved due to the downscoping of the Project.	<p>In Indianhead Village the originally scheduled neighborhood center was increased to a Village Center due to the increased end-state of the neighborhood.</p> <p>Partner Discussion: The proposed Indianhead end-state is 144 units greater than the closing plan (per the executed Major Decision); therefore, we propose increasing the size of the neighborhood center by approximately 2,000 sf to accommodate the increased size of the neighborhood.</p>

EXHIBIT F
FORM OF DISBURSEMENT REQUEST
CONSTRUCTION FUND

Requisition No. 40

Date: April 3, 2009

REQUISITION CERTIFICATE

TO: WELLS FARGO BANK, NATIONAL ASSOCIATION, AS MASTER TRUSTEE UNDER THE MASTER INDENTURE OF TRUST DATED AS OF JANUARY 31, 2006, AND AS AMENDED APRIL 1, 2008, BY AND AMONG FORT BENNING FAMILY COMMUNITIES LLC, THE MASTER TRUSTEE AND TRIMONT REAL ESTATE ADVISORS, INC., AS BONDHOLDER REPRESENTATIVE (THE "INDENTURE").

Fort Benning Family Communities LLC, a Delaware limited liability company (the "Borrower"), hereby requests that the following amounts be paid from the

☒ The Construction Fund other than the Insurance/Condemnation Proceeds Account

☐ Insurance/Condemnation Proceeds Account of the Construction Fund

to the following payees for the following purposes:

Amount	Account	Payee and Address	Purpose
--------	---------	-------------------	---------

The Borrower hereby certifies that:

- (a) Obligations in the stated amounts have been incurred and performed at the Project and are currently due and payable to the Payee set forth above and that each item thereof is a proper charge against such fund or account and has not been the subject of a previous withdrawal from such fund or account;
- (b) to the best of the Borrower's knowledge, there has not been filed with or served upon the Master Trustee, the Bondholder Representative or the Borrower notice of any lien, right or attachment upon, or claim affecting the right of any such persons, firms or entities to receive payment of, the respective amounts stated in such requisition which has not been released and will not be released simultaneously with the payment of such Obligation, except for lien described in notification letter dated 14 May 2007;
- (c) (i) obligations as stated on the requisition have been incurred, (ii) such work was actually performed or such materials or supplies were actually furnished or installed in or about the Project, (iii) if contested, bond acceptable to the Master Trustee and the Bondholder Representative has been made by the Borrower and (iv) either such materials or supplies are not subject to any lien or security interest or any such lien or security interest will be released or discharged immediately upon payment of the requisition by filing or recording of the enforceable duly executed and notarized waiver and release forms in recordable form and otherwise in proper form for filing acceptable to Master Trustee and Bondholder Representative executed by the holder of such lien or security interest, except for lien described in notification letter dated 14 May 2007;
- (d) all rights, title and interest to any and all personal property acquired with the proceeds of the requisition are vested in the Borrower free and clear of all liens, security interests and encumbrances (other than in favor of Trustee and except as set forth in (d)(iv) above);
- (e) the amount remaining in the Construction Fund and anticipated Residual IDP Construction Amount is sufficient to pay all unpaid costs of designing, constructing, equipping and completing the Project or restoration of same or, if not, Borrower shall cover such shortfall, or effect a Project Scope Adjustment, as required by the Indenture;
- (f) no Event of Default currently exists, and no facts currently exist that, with the passage of time or giving of notice, or both, would constitute an Event of Default;
- (g) the Loan Documents are in full force and effect, there exists no Event of Default under the Loan Documents and no event has occurred or condition exists which constitutes, or with notice, lapse of time or both would constitute, an Event of Default under the Loan Documents;

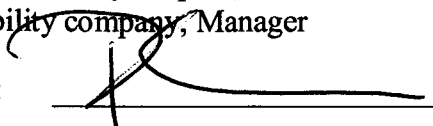
- (h) the Project Documents are in full force and effect and no default by Borrower has occurred thereunder and be continuing;
- (i) the Payment and Performance Bonds are in full force and effect, with no repudiation, and no written assertion of a defense with respect to a claim or claims by the applicable surety have occurred and remain unresolved;
- (j) the Borrower is in compliance with all Environmental Laws; and
- (k) the conditions to disbursement set forth in Section 5.2(c) of the 2006 Series A Indenture dated as of January 31, 2006 among Fort Benning Family Communities LLC, the Master Trustee and the Bondholder Representative, and acknowledged and accepted by the Borrower, as assignee, have been satisfied or, at the sole discretion of the Bondholder Representative, waived in writing.

[Remainder of Page Intentionally Left Blank]

Requested this: 3rd day of April, 2009

**FORT BENNING PLANNED COMMUNITIES LLC, a
Delaware limited liability company**

By: Clark Realty Capital, L.L.C., a Delaware limited
liability company, Manager

By:  _____

Name: Philip A. Cowley

Title: Development Executive

By: _____

Name: W. Cleveland Johnson

Title: Manager

Approved this _____ day of _____, ____:

**TRIMONT REAL ESTATE ADVISORS,
INC. as Bondholder Representative**

By: _____

Name:

Title:

From: Ted Lim <Ted.Lim@clarkrealty.com>
Sent: Monday, December 15, 2008 9:33 PM
To: Ted Lim; Barstis, Michael (US)
Cc: Hunter, Todd B Mr ASA(I&E); Velde, Andrew (US); Tuttle, Thomas O Mr CIV USA
IMCOM; Kelly, Pat CIV USA IMCOM; Fran Coen
Subject: FINAL Monterey MSP December 16, 2008 Document and Pro Forma
Attachments: Monterey MSP December 16 2008 FINAL.pdf; Monterey December MSP Pro Forma
FINAL.xls

Importance: High

Follow Up Flag: Follow up
Flag Status: Flagged

All,
Please find attached the final versions of the MSP document and pro forma.
Thanks to all of you for your efforts and thoughtful input. Best of luck to the DC team tomorrow!

Best,
Ted

Phil Cowley

From: Phil Cowley <Phil.Cowley@clarkrealty.com>
Sent: Tuesday, June 02, 2009 9:59 AM
To: Hunter, Todd B Mr CIV USA ASA IE
Cc: A.J Caputo; Lovejoy, Keith CIV USA; Hayes, Rhonda Q Ms CIV USA ASA IE; Hofkens, Kristy (US)
Subject: Fort Benning MSP (Unit Conversions)

Todd:

Following up on our 20 May meeting (where we discussed unit conversions as part of the MSP), we have considered conversions (b) (4)

- 2-BR units are (b) (4) occupied.

- Given the (b) (4) 2-BR occupancy, conversion would result in approximately (b) (4) per year Project revenue (b) (4). Here's the math:

Current Situation = (b) (4)

Conversion Situation = (b) (4)

Difference = (b) (4)

If demand for 2-BR units falls because of insufficient square footage, (b) (4)

(b) (4) If we are missing something, please let us know (b) (4) Keith Lovejoy, AJ, and I look forward to the meeting.

See you soon,

Phil

From: Hayes, Rhonda Q CIV (US) <rhonda.q.hayes.civ@mail.mil>
Sent: Wednesday, October 30, 2013 7:33 AM
To: Chamberlain, Scott CIV (US)
Subject: FW: Belvoir Major Decision - Modified Scope Plan Draft (UNCLASSIFIED)

Classification: UNCLASSIFIED
Caveats: NONE

-----Original Message-----

From: Casey Nolan [mailto:Casey.Nolan@clarkrealty.com]
Sent: Thursday, April 30, 2009 6:26 PM
To: O'Brien, Daniel CIV USA IMCOM; Smith, Brian E Mr CIV USA IMCOM
Cc: Sanders, Bill L CIV USA IMCOM; Hayes, Rhonda Q Ms CIV USA ASA IE; Blixt, Jerry COL MIL USA
Subject: RE: Belvoir Major Decision - Modified Scope Plan Draft

Dan -

I feel strongly that the potential Out Year parcels remain in the MSP. The MSP in now way obligates the Installation to convey any of it to FBRC for the RCI mission. However the concept of additional land parcels to provide swing space for Out Year redevelopment is critical.

Even if Lewis West and/or Tomkins are off the table (today), including them in the MSP shows a potential option for the Commander to consider and reflects how the Partnership took a long term, holistic vision towards a sustainable RCI program. I suppose we could just list "Land Parcel 1, 2, 3" per the Christmas Tree Chart, but there seems to be merit in showing we put serious thought and time into how it the land plans could work.

I think our immediate next step after the MSP is signed off by DA is to get in the room with COL Blixt and hash out which (if any) sites make sense for the Installation, the RCI project and ultimately what are places where families would want to reside.

My vote is to keep the content in the MSP. We can clarify the language if you feel it "guarantees" the land will be conveyed. I thought it was pretty clear that it would be handled separately upon Installation approval, real estate paperwork and environmental approvals.

The rhetorical question for those of us at the Installation to consider is when does the RCI mission trump other competing missions. We have discussed the additional land parcel sites for 3+ years; and at one point when BNVP was doing the new Installation Master Plan, each one was designated as "community" which would provide the opportunity for residential development. If each of the "community" locations is converting to office, warehouse,

only recreation uses, etc, then will there be any land left for the RCI mission in its current form (2,106 homes) or if a future HMA called for 500+ more homes?

In summary, I think the MSP takes the concept paper agreed upon by the partnership and GC in March and expands the plan with more content - some of which is the concept of how additional parcels are integral to the sustainment of the project. This does not obligate the Installation to convey any of the land though. Therefore it seems to make sense to leave it in.

I defer to COL Blixt on his preferred direction for the MSP.

Thanks.

Casey Nolan
Clark Realty Capital, LLC
703.781.2010 (tel)
703.781.2060 (fax)
703.785.1437 (cell)

-----Original Message-----

From: O'Brien, Daniel CIV USA IMCOM [mailto:daniel.d.obrien@us.army.mil]

Sent: Thursday, April 30, 2009 5:56 PM

To: Casey Nolan; Smith, Brian E Mr CIV USA IMCOM

Cc: Sanders, Bill L CIV USA IMCOM; Hayes, Rhonda Q Ms CIV USA ASA IE

Subject: RE: Belvoir Major Decision - Modified Scope Plan Draft

Casey

Just a couple of thoughts.

We need to remove all discussion of the future land parcels even the concept from this major decision. we have not resolved nor made the decision that we are going to designate land prior to it being needed.

As an example we are already using Lewis West for a priority mission and the Tompkins Basin plan shows land that we have just recently had to use for another long term priority mission.

We need to remove this aspect in its entirety because we are not even at the point of agreeing to it in concept.

We agreed to removing this part from the Major Decision at this time. We are not able to renew land use options because of BRAC and other requirements and we do not think it is possible to set aside land before it is needed because of high priority missions and requirements. We need discussions of existing land that may need to be returned because amenities have changes

and because high priority mission requirements dictate the use of land for other uses.

It is in the best interest of soldiers that we do not delay the renovation part because of issues with future land uses - even at the concept stage. It is best to remove all aspects of this issue.

Dan

Daniel D. O'Brien, P.E.
Chief of Facility Planning
Directorate of Public Works
9430 Jackson Loop Bldg 1442
Fort Belvoir, VA 22060-5116
703-806-0043
FAX 703-806-0145
daniel.d.obrien@us.army.mil

-----Original Message-----

From: Casey Nolan [mailto:Casey.Nolan@clarkrealty.com]
Sent: Tuesday, April 28, 2009 3:05 AM
To: Smith, Brian E Mr CIV USA IMCOM
Cc: Blixt, Jerry COL MIL USA; Sanders, Bill L CIV USA IMCOM; O'Brien, Daniel CIV USA IMCOM
Subject: FW: Belvoir Major Decision - Modified Scope Plan Draft

Brian -

Per our conference call with Rhonda on 14 April, we should be on track to deliver the Modified Scope Plan Draft to her no later than 4 May 2009. As discussed on the call, I reformatted the 17-page concept information memo that served as the backup to the 11 March 2009 Major Decision Concept Paper co-signed by COL Blixt and myself. The content of the attached MSP is essentially the same. The minor revisions made per Rhonda's input include reflecting a plan to hit the HMA requirement of 2,106 homes, ensuring the unit mix change corresponds to the HMA for E1-E5 families, and that Snow Loop and other land actions will be reflected in the MSP but clearly called out to be handled under separate Major Decision upon completion of real estate and environmental actions at the Installation level. Please note the MSP follows the outline from the PAM handbook (and is thus 67 pages now).

I realize the suspense date is short but since the content is the same as that distributed 6 weeks ago, there should be minimal comments. Comments on proposed additional land parcels will be addressed separate from this document. The same goes for any concerns over amenity plans. We should set up a time to discuss the Out Year plan and parcels with COL Blixt soon.

As I get further data (and pictures) on the pilot renovations and drawings,
I will update the MSP accordingly until it goes Final.
However the Draft version attached is sufficient (in my opinion) to go up
the chain for final approval.

I welcome comments from you and the team. I took the liberty of copying
Bill and Dan since they were at some of the meetings regarding this topic.

Please do not hesitate to call with any questions. We are excited about
finalizing the approval of the MSP so that progress may continue in Woodlawn
and River.

Thanks.

Casey Nolan

Clark Realty Capital, LLC

703.781.2010 (tel)

703.781.2060 (fax)

703.785.1437 (cell)

-----Original Message-----

From: Hayes, Rhonda Q Ms CIV USA ASA IE
[mailto:Rhonda.Hayes@us.army.mil]

Sent: Monday, March 23, 2009 4:18 PM

To: Casey Nolan; Smith, Brian E Mr CIV USA IMCOM; Connor, Mark J Mr CIV USA

OGC; Germano, Kathleen P NAO; Neil.D.Robison@usace.army.mil; Scharl, John A
Mr CIV USA ACSIM; Hinshaw, Rick Mr CTR USA ASA IE; Koerner, Barbara W Ms CIV
USA HQDA IMCOM; O'Brien, Daniel CIV USA IMCOM
Cc: Blixt, Jerry COL MIL USA
Subject: Belvoir Major Decision

All,

The proposed timeline for executing the Major Decision is attached. I have broken the action into two parts as we discussed -- the first addresses the restructuring of the IDP and the second addresses the out-year plan and requires additional real estate and environmental surveys. No action will be taken by this office on the out-year plan until the installation has a completed ROA.

While the majority of the information for the re-structuring exists in the Concept Paper, this information needs to be formatted into a Modified Scope Plan as outlined in the attachment. I believe that we can fully develop the Modified Scope Plan and have it staffed through the headquarters with the DASA's signature by 5 June.

We will hold a conference call on 14 April to discuss any concerns/issues with regard to the plan.

I look forward to speaking with you then.

Rhonda

Classification: UNCLASSIFIED
Caveats: NONE


-----Original Message-----

From: Casey Nolan [<mailto:Casey.Nolan@clarkrealty.com>]
Sent: Thursday, April 16, 2009 3:02 PM
To: Hayes, Rhonda Q Ms CIV USA ASA IE
Subject: RE: Belvoir Real Estate Actions (UNCLASSIFIED) - follow up regulation question

Thanks Rhonda.

We will clarify how the end state will hit the HMA ceiling. And for modeling purposes we will cap it at 2106.

I'll continue to work with Rick on the pro forma questions and tweaks unless you have any objections. (b) (4)



Casey Nolan
Clark Realty Capital, LLC
703.781.2010 (tel)
703.781.2060 (fax)
703.785.1437 (cell)

-----Original Message-----

From: Hayes, Rhonda Q Ms CIV USA ASA IE
[<mailto:Rhonda.Hayes@us.army.mil>]
Sent: Thursday, April 16, 2009 2:10 PM
To: Casey Nolan
Subject: RE: Belvoir Real Estate Actions (UNCLASSIFIED) - follow up regulation question

Casey,

There is no regulation. This is all verbal guidance from Joe Sikes. Technically we are supposed to comply with the HMA, but he has allowed the concept of "occupied surplus" until the end of the useful life of the housing at many projects. If we don't reach the HMA endstate at the end of the IDP, we have to outline when we will reach it and demonstrate that no extraordinary funds are being spent to renovate excess units. After very arduous mathematical calculations, \$25K was identified as the "extraordinary" amount.

Rhonda

-----Original Message-----

From: Casey Nolan [<mailto:Casey.Nolan@clarkrealty.com>]
Sent: Thursday, April 16, 2009 10:54 AM
To: Hayes, Rhonda Q Ms CIV USA ASA IE
Cc: Rick.Hinshaw@am.jll.com
Subject: RE: Belvoir Real Estate Actions (UNCLASSIFIED) - follow up regulation question

Rhonda -

Following up on our conversation on Tuesday, can you send me the OSD regulation info you referred to? I want to further understand the limit on expenditures, useful life of the buildings and the excess homes constraint.

I think our plan is flexible such that the "excess" +/-50 homes will remain on line at the end of the IDP until they are demolished at the first phase of Out Year development. As an example, Dogue Creek Village has 270 existing homes and can accommodate much less (estimated at 150 homes) upon redevelopment. Thus whatever excess inventory there was will be eliminated. (Sidenote - hence the need for the Installation to convey more land since we need swing space for the deficit that demolishing Dogue would create.)

Regarding a final pro forma, I assume Rick is the point person since we had a dialogue on the pro forma as part of the annual site visit and development review. We will cap the pro forma unit count at 2106 (HMA number) to be consistent with the HMA and regulations you referred to.

Thanks for your help.

Casey Nolan
Clark Realty Capital, LLC
703.781.2010 (tel)
703.781.2060 (fax)
703.785.1437 (cell)

-----Original Message-----

From: Hayes, Rhonda Q Ms CIV USA ASA IE
[<mailto:Rhonda.Hayes@us.army.mil>]
Sent: Tuesday, April 14, 2009 10:28 AM
To: Casey Nolan
Subject: FW: Belvoir Real Estate Actions (UNCLASSIFIED)

fyi

-----Original Message-----

From: King, J C Mr CIV USA ASA IE
Sent: Monday, March 23, 2009 7:55 PM
To: 'Falcone, Michael W SWF'; Hayes, Rhonda Q Ms CIV USA ASA IE
Cc: 'Germano, Kathleen P NAO'
Subject: RE: Belvoir Real Estate Actions (UNCLASSIFIED)

Classification: UNCLASSIFIED

Caveats: FOUO

If there is no evidence that this area was part of a range, there is no need for geophysical work.

Given the history of the area, as Mike indicated, would be prudent to provide the workers our 3Rs construction guide, and advise them of actions to be taken should they encounter or suspect they may have encountered a munition.

J. C. King
Assistant for Munitions and Chemical
Matters ODASA(ESOH), Pentagon, Room 3D453
Office: 703.697.5564
BB: 571.274.5054
Fax: 703.614.5822
<https://www.denix.osd.mil/uxosafety>

-----Original Message-----

From: Falcone, Michael W SWF [<mailto:Michael.W.Falcone@usace.army.mil>]
Sent: Monday, March 23, 2009 4:18 PM
To: Hayes, Rhonda Q Ms CIV USA ASA IE; Germano, Kathleen P NAO
Cc: Hinshaw, Rick Mr CTR USA ASA IE; Scharl, John A Mr CIV USA ACSIM;
Hand, Joseph H SAM; Robison, Neil D SAM; King, J C Mr CIV USA ASA IE
Subject: RE: Belvoir Real Estate Actions

Rhonda,

Per your questions below:

1) While I cannot speak to the ROA, RCI Environmental documentation did include snow loop (as part of Park Village). Unfortunately, I lost all my archives in 2004, which also included much of my Belvoir correspondence (ROA, FOSTs, FOSLs, etc). Assuming Park Village was conveyed in 2003/4 along with the rest of the Belvoir RCI parcels, no further environmental action should be required. See also response to comment 2.

2) I will defer to Neil and Joe (cc'd here) for final say regarding NEPA, but unless our NEPA documentation called out the River Village parcel as "short term" use, the original NEPA document should have adequately characterized the impacts of the land conveyance and subsequent operation. I do not have the NEPA documentation to verify the language.

3) To our knowledge, no specific MEC surveys for Woodlawn have been conducted. While we are aware that portions of Woodlawn were once a maneuver and demolition training site in the 1940s, our investigation and references supports that no explosives of any kind have ever been discovered, even during the 1970's construction of the Woodlawn housing area. Unless the site is an MMRP, which I am not aware that it is, no specific MEC surveys should be required. It is recommended that the partner conduct any geophysics on the property necessary to support their construction needs and report any suspicious anomalies encountered to the installation. The partner should be aware of potential MEC concerns...See attached pamphlets. I've also cc'd JC King, the ordnance expert at ESOH, to provide any additional recommendations/comments in this regard. That said, if the community center/pool is to be constructed by the RCI Partner on properties outside the current RCI

footprint, appropriate environmental documentation and surveys will likely be required.

Mike

Mike Falcone
Environmental Resource Planner
US Army Corps of Engineers, Fort Worth
office 817-886-1724
cell 410-320-9404

-----Original Message-----

From: Hayes, Rhonda Q Ms CIV USA ASA IE
[mailto:Rhonda.Hayes@us.army.mil]
Sent: Monday, March 23, 2009 11:49 AM
To: Germano, Kathleen P NAO
Cc: Falcone, Michael W SWF; Hinshaw, Rick Mr CTR USA ASA IE; Scharl, John A Mr CIV USA ACSIM
Subject: Belvoir Real Estate Actions

Kathleen, Mike,

I got your out-of-office message so thought I'd follow up with email.

I met with Fort Belvoir on 18 March regarding their Major decision and a few RE questions came up:

1) Was Snow Loop included in the original ROA that put it in the Ground Lease?
Dan O'Brian is working on new real estate and environmental survey to keep it in the lease. Since it is already in and the plan is now to keep it rather than return it to the installation, what work (if any) does he need to do?

2) Is a supplemental EA required to keep River Village in the Ground Lease or can we do a categorical exclusion? Is any RE action required to keep River Village?

3) Apparently there are some UXOs in the vicinity of Woodlawn Village where they want to build a pool/community center. What UXO surveys are required and was any UXO work done in the original survey since Woodlawn is already in the footprint?

RHonda

Classification: UNCLASSIFIED
Caveats: FOUO

Classification: UNCLASSIFIED
Caveats: FOUO

Fort Irwin Family Housing Modified Scope Plan

**California Military Communities, LLC
Modified Scope Plan at Fort Irwin
(MSP)
To Address Deficit Family Housing**

9 August 2010



Fort Irwin Family Housing Modified Scope Plan

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Fort Irwin Family Housing Modified Scope Plan

SECTION I: Executive Overview

1.1 History

The goal of the Fort Irwin / Moffett Federal Airfield / Camp Parks Project is to provide military families with safe, quality, affordable on-post housing options. The Irwin / Moffett / Parks Project is owned, managed and operated by California Military Communities, LLC which includes Clark / Pinnacle as the managing member and the Army as a minority member. The housing was leased to the LLC on March 1, 2004, with the LLC assuming ownership and the responsibility of renovating, replacing, and managing 2,806 family housing units and 200 unaccompanied senior enlisted / officer quarters (UPH) at Fort Irwin.

(b) (4)

The purpose of this Modified Scope Plan (MSP) is to present the proposed development and construction plan to execute

(b) (4)

his phase of development will not be included in the Initial Development Period scope of work. The scope of work is simply the development and construction of 82 new homes for Company Grade Officers (CGO).

(b) (4)

1.2 Family Housing Requirements (Fort Irwin Only)

Housing Market Analysis dated 27 February 2009

Rank	2013 HMA Requirement	Current End State	AMF Scope	New End State	Remaining Deficit	% of Requirement
GO	1	1	-	1	-	100%
FGO	177	125	-	125	(52)	71%
CGO	447	241	82	323	(124)	72%
SNCO	394	386	-	386	(8)	98%
JENL / JNCO	1,960	1,717	-	1,717	(243)	88%
Total	2,979	2,470	82	2,552	(427)	86%

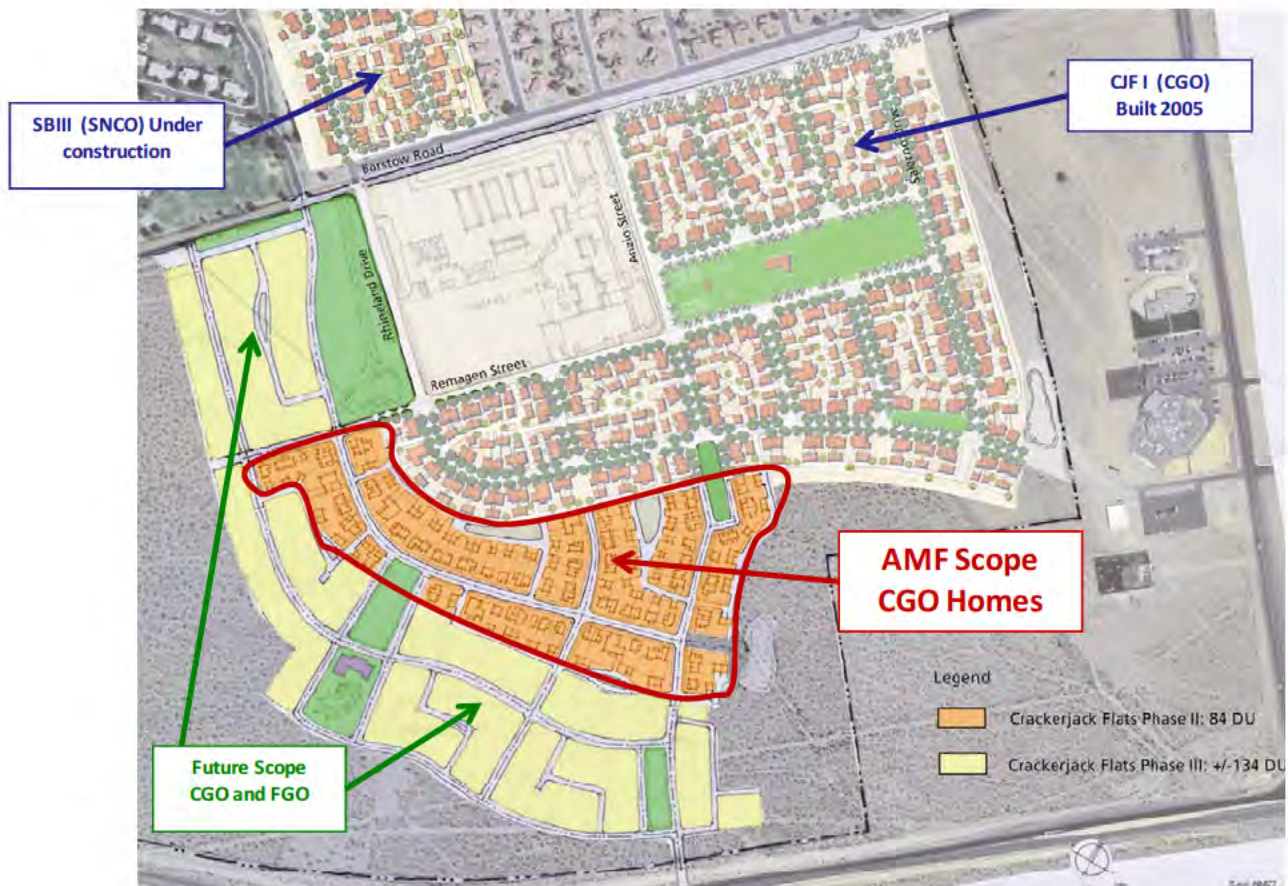
Fort Irwin Family Housing Modified Scope Plan

SECTION II: Development Plan

2.1 Master Planning

There is sufficient land available within the ground lease to accomplish the proposed scope of work for this phase of development. This phase is planned as an expansion of the existing Cracker Jack Flats neighborhood. In addition to the construction of 82 new homes, 2 homes planned as part of the MSP 2009 will be constructed on the site. These homes were not completed at Sandy Basin III due to site limitations. Limited utility infrastructure is available to service the new homes and will require extensive off-site upgrades to bring services to the site. The project has reviewed other site-planning alternatives and has determined that the plan detailed represents the most cost-effective solution for planning and infrastructure costs. These additional costs are captured in the development/construction budget provided.

Figure 2. Master Plan for Added Scope



Fort Irwin Family Housing Modified Scope Plan

2.2 Scope of Work and Delivery Schedule

The additional 82 homes will be built utilizing the same specifications as those used in the most recently completed phase of the Irwin project. Project floor plans will be re-utilized from the Sandy Basin III neighborhood and are provided as Exhibit D for reference only. The units will have to be redesigned to accommodate the 2010 RCI Construction Standards – Update #3 and will include modifications to the HVAC, mechanical/electrical/plumbing systems and a few exterior additions to meet LEED Silver and the new California Building Code. The neighborhood is a combination of single-family and duplex homes, each offering either 3 or 4 bedrooms with 2.5 baths. This MSP will construct 82 homes for CGO; 66 three-bedrooms and 16 four-bedrooms, . All homes will have a 2-car garage, private backyard area and will range in size from 2,100 to 2,505 GSF. Each unit will feature fully-equipped kitchens including: dishwasher, garbage disposal, full-size refrigerator and microwave. Energy-star appliances will be installed to maximize efficiency and minimize utility costs. All homes are designed with HVAC systems and will utilize solar-powered attic fans and radiant-barrier roof sheathing to help mitigate the weather extremes experienced at Fort Irwin.

In addition to the unit design modifications referenced above, this project will need extensive off-site utility upgrades and on-site mitigation of the storm swale that runs through the leased land. Although the site sits adjacent to a previous RCI phase and Army facilities, CH2MHill, the Army water contractor, has indicated that there is no capacity for sewer outflows through the existing system. The closest sewer facility is approximately ½ mile away by route and will require 16" plus lines to make up for the lack of grade change to the site. Dry utilities will also be a challenge and will need to be brought in from off-site at a distance of 1,500 feet to edge of development and will require a mainline backbone extension. Water service is potentially available from the previous RCI phase, CJFI, and therefore the project does not anticipate the need for additional facilities other than an in-track system. Finally, storm waters run overland through most of Fort Irwin. The lease land available for development contains several storm water channels one of which will have to be redirected away from housing during the earthwork for the new phase.

A delivery schedule is included as Exhibit E.

(b)(4)



Fort Irwin Family Housing Modified Scope Plan

2.3 Development Budget

(b) (4)

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(b) (4)

Fort Irwin Family Housing Modified Scope Plan

2.4 Hard Cost Breakdown

(b) (4) Construction costs at Irwin are considerably higher than average due to some of the highest Davis Bacon wages in the nation, coupled with a remote and isolated location. Trades are typically pulled from either Las Vegas or Los Angeles both of which are 3 hours away. Subcontractors typically have to house workers in Barstow during the course of a job and then it is still a 2 hour round-trip per day drive off and on base. It is estimated that the location premium is approximately (b) (4) of a sub-contractor's costs. In addition to the above, site work which includes (b) (4)

(b) (4) This number is driven up by the extensive utility infrastructure that is required to service the site as discussed in Section 2.2.

(b) (4)

2.5 Development Progress to Date (Fort Irwin Only)

(b) (4)

Fort Irwin Family Housing Modified Scope Plan

2.6 Out Year Development

The Out-Year Development Plan charts the various demolition, new construction and renovations during the IDP and out years and illustrates our continuing commitment to offering quality homes and neighborhoods in the Secondary Development Period (SDP).

(b) (4)



(b) (4)

Fort Irwin Family Housing Modified Scope Plan

SECTION III: Financial Plan

3.1 Sources and Uses

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Fort Irwin Family Housing Modified Scope Plan

3.2 Fee Structure for IDP vs. ODP Scope

The chart below summarizes the changes in the base and incentive fee structure between IDP scope and ODP scope. The new scope under this MSP is designated as ODP scope and therefore the new base and incentive fees will apply.

(b) (4)



Fort Irwin Family Housing Modified Scope Plan

SECTION IV: Legal and Governance Plan

Out-year scope was contemplated under the original legal documents therefore there is no need to update any of these agreements with the exception of the construction agreement.

(b) (4)



Fees, incentive structures and provisions for bonding will remain unchanged.

SECTION V: Property Management and Operations Plan

Property Management Plan Overview

No changes are proposed to the Property Management Plan.

Operations Plan Overview

No changes are proposed to the Operations Plan.

Maintenance Plan Overview

No changes are proposed to the Maintenance Plan.

Resident Services Overview

No changes are proposed to Resident Services.



MODIFIED SCOPE PLAN

PRESIDIO OF MONTEREY/ NAVAL POSTGRADUATE SCHOOL

December 16, 2008

FINAL



MODIFIED SCOPE PLAN

December 2008

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MODIFIED SCOPE PLAN

December 2008

EXECUTIVE OVERVIEW

The Purpose of this document is to describe the Modified Scope Plan (MSP) for the Presidio of Monterey/Naval Postgraduate School (POM/NPS) Residential Communities Initiative (RCI) project. The document attempts to follow the outline provided by the RCI PAM Handbook Version 3.0, 8 June 2007 for Modified Scope Plans. This MSP is also consistent with the Concept Paper delivered to the Office of the Assistant Chief of Staff for Installation Management – Installation Services dated 14 January 2008. The MSP will document:

1. Modification of the original development scope of the Presidio of Monterey/Naval Postgraduate School (POM/NPS) Residential Communities Initiative (RCI) project

On October 1, 2003, the United States of America, through the Secretary of the Army, entered into an Operating Agreement with Clark Pinnacle Monterey Bay LLC to form Monterey Bay Land LLC (MBL). MBL was formed for the purpose of redeveloping and managing all the military family housing assets supporting active duty families assigned to the Presidio of Monterey (POM), the Defense Language Institute and Foreign Language Center (DLIFLC), the Naval Postgraduate School (NPS), and other DoD activities located on the Monterey Peninsula. The original Community Development and Management Plan (CDMP) called for MBL to construct 2,168 new homes, provide 41 historic home renovations, and demolish 2,227 existing homes through the year 2013 at a projected cost of (b) (4). There were no "scoring" (appropriated funds) dollars provided for this project and the private partners in MBL are required to contribute (b) (4) in equity to the company in 2009. Fixed rate bond financing for the project was provided in the amount of (b) (4).

Since the start of the project, MBL has constructed 732 new houses, demolished 610 existing houses, and completed 25 major renovations on the historic houses. However, it is currently projected that MBL will not be able to deliver the original scope of the project for eight primary reasons.

- First, the Army's HMA for the Monterey area, on which the CDMP scope was based, appears to have dramatically over-estimated the requirement for on-post family housing. The HMA, and a subsequent December 2007 HMA update recommended a housing inventory on post that would accommodate more than 100% of all families currently assigned to the two local installations. The MSP end-state, based on five years of occupancy experience has been set with the expectation that 64% of military families in the Monterey County will require on-post housing.
- Second, the project closed with a (b) (4) funding shortfall due to financing issues between the CDMP completion and closing. (b) (4)
- Third, the project has experienced approximately (b) (4) to date, compared to the (b) (4) in the original CDMP for the same period (b) (4). The tables below detail the escalation that the project has experienced according to RSMeans each year. Once applied to the balance of new construction anticipated to complete the CDMP, depending on (b) (4).

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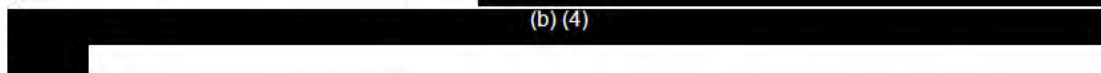
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***Percent escalation represented in cumulative value from baseline to publication of yearly RSMeans Report.*

Construction Escalation Applied to Each Construction Phase

Purchase of Phase	Phase	Contract Escalation Allowance	Escalation Factor Applied	Escalation at Execution of Phase	Unanticipated Escalation Cost
2003	Hayes Park (OMC1)	N/A	N/A	N/A	
2003	La Mesa Phase 1 (LMV1A)	N/A	N/A	N/A	
2004	La Mesa Rec Center (LMV1B)*	N/A	N/A	N/A	
2004	La Mesa Phase 2 (LMV2)	(b) (4)			
2004	Fitch Park (OMC2A)				
2005	La Mesa Phase 3 (LMV3)				
	TOTAL				



- Fourth, property operating costs have been significantly higher than forecasted, primarily due to contract services (lawn mowing, change of occupancy maintenance, utilities, etc.). The decision to pay Davis Bacon wages on property management activities (b) (4)
- Fifth, occupancy rates for officers, who pay the highest BAH, have been dramatically lower than expected, resulting in overall revenues significantly lower than forecasted. Ninety-five percent occupancy was projected in the CDMP pro forma, while military family occupancy has been closer to 70% since the start of the project.
- Sixth, the Basic Allowance for Housing (BAH) did not increase as much as projected in 2006 and 2007 (and actually *decreased* in 2006) as originally projected. The 2008 weighted average BAH increase of 9% brought the cumulative percentage increase back in line with the pro forma, but does not make up for the lost income in years 2006 and 2007.
- Seventh, the revenue stream from Foreign Military Students (FMS) has been lower than originally forecasted and the quantity of FMS students has increased compared to original expectations. FMS students still pay only approximately 50% of the rent paid by domestic officers, and the project has failed to bring their rents closer to BAH as contemplated in the CDMP. The CDMP called for FMS rents to equal BAH by the end of the IDP.



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(b) (4)

The eight negative impacts combined have resulted in a projected (b) (4) range if MBL were to continue working toward the original CDMP project scope. (b) (4) while the other negative impacts (b) (4) Therefore, the project scope must be adjusted to ensure that by the end of the Initial Development Period (31 October 2013), military families stationed in the Monterey area have adequate housing. Detailed financial results for the project have been provided to the Army on a quarterly basis since the start of the partnership. A snapshot of key performance metrics is provided below. (b) (4)

(b) (4)

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2. Acquisition and redevelopment of the Stilwell Kidney parcel

Included in the MSP is a development plan for property that was not originally included in the project's CDMP, but has been added as part of the land swap with the City of Seaside that the Army and Monterey Bay Land LLC ("MBL" – the private entity created by Clark Pinnacle and the Army to execute the RCI project) have been working toward for the past several years. The Stilwell Kidney property is 100 acres of land that currently contains 400 blighted, abandoned former military houses that were transferred to the City of Seaside as part of the closure of Fort Ord in the 1990s. The Kidney is centrally located in the middle of Ord Military Community, and has detracted from the RCI project's ability to market and lease houses to military families. The Army has re-acquired the property from the City of Seaside and leased it to MBL as an addendum to the existing RCI Ground Lease. MBL, as part of the MSP, will demolish the blighted neighborhood and build new military houses in its place.



The Stilwell Kidney Property Today



The Stilwell Kidney Property Tomorrow (Demonstrative photo from Hayes Park – 1st POM/NPS phase)

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3. Establishment of a separate and distinct operating company, currently referred to as "Department of Defense (DoD) Workforce Housing LLC," for the purpose of future land development and disposition

In addition to the integration of the Stilwell Kidney property to the Ground Lease, the MSP includes the removal from the Ground Lease and sale of two parcels to generate funds that can be used for RCI housing construction in the out-years of the project. The properties will be sold to and developed by a to-be-named developer into for-sale workforce housing for Department of Defense civilians who support the Presidio of Monterey and the Naval Postgraduate School. The high cost of housing in the area has created challenges in the recruitment and the retention of staff and faculty required to operate the military installations. The properties will be disposed after completion of the 246 new houses in the Kidney. The proceeds from the sale/redevelopment of these properties will be generated for the RCI project after the IDP, perhaps as early as the early out-years. The buyer of the properties will be required to provide 140 "workforce" affordable home ownership opportunities for DoD staff and faculty at POM and NPS, and the opportunity to build up to 150 non-price-restricted home ownership opportunities. Given the state of the housing market, the global financial system, and the U.S. economy, it is very difficult to predict the value of the property and the timing in which a sale could occur. (b) (4)

The partners will re-examine the feasibility of this plan in June 2010 and in the interim the project will coordinate site planning activities to maximize the value and marketability of the properties.

Modified Scope Plan Guiding Principles

Despite the project's challenges and the requirement to re-scope and provide adequate housing for 64%¹ of the military family population that cannot be housed on the economy, the private partnership between Clark, Pinnacle, the Army and Navy has worked effectively to meet its financial obligations to date and continuously improve the housing for the area's military families. The Modified Scope Plan has been based on the following principles:

1. A realistic end state housing requirement of 1,565 units that will provide housing for 64% of the military families in the area. Material growth in military housing is unlikely in the area due to the high cost of living, scarce water resources, and the lack of land for mission expansion.
2. (b) (4)
3. "Occupied Surplus Units" will not be renovated and will continue to be leased according to the tenancy waterfall to generate revenue necessary to pay existing debt service and fund the project's construction GIC accounts. 370 of the 737 occupied surplus units² are already occupied by waterfall tenants and aggressive efforts have begun to maximize the occupancy of these units. Subject to the approval of the partners and the lender, and as soon as market conditions are favorable, the project will endeavor to sell the occupied surplus properties to further "rightsize" project debt and equity and fund out year project reinvestment activities. The timing of the disposition will be revisited in 2010.

¹ Based on the June 2008 Defense Manpower and Data Center report which reported 2,476 military members with dependents receiving BAH in Monterey County.

² As of the end of September 2008.

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Modified Scope Plan Summary

Scope

The proposed MSP is based on project occupancy levels experienced to date and is presented below.

Original CDMP Scope in Brief

- 2,168 new homes, 41 historic renovations (2,209 total units)
- Two community/recreation centers, four neighborhood centers, and one town hall

Modified Scope Plan in Brief

- 1,028 new homes, 41 historic renovations, 340 renovations, 156 unrenovated (1,565 total units)
- 737 units (Marshall Park and Lower Stilwell) classified as occupied surplus, 687 of which may be disposed in out years and 50 of which will be demolished in the out years to make room for a storm water management pond
- One 7000 square foot recreation center to be constructed starting 2011. If the project NOI is not "on pro forma" by June 2010, commencement of construction will require DARCI approval. An indoor swimming pool will be added to the recreation center as a second phase upon approval of DARCI. A third phase for the recreation center is also anticipated after the IDP.
- 10 new tot lots

Based on occupancy experience to date, it is anticipated that throughout the duration of the project, the project will not require more than 1,565 units for active duty military personnel. Ninety percent, or 1,409 of these 1,565 units will be either new or renovated homes. The remaining 10%, or 156 units will be reclassified from O3 housing to E5 and E6 housing. After the construction of the new Kidney units, Fitch 2B (138 units which are currently adjacent to new homes) will be also be renovated. Once renovated, the homes in Fitch 2B will be redesignated for lower enlisted military families. By the end of the IDP, Fitch 2B (138 units) and a portion of Lower Stilwell (108 units) will be renovated and occupied by military personnel. The unrenovated units in Lower Stilwell (334 units) and all of Marshall Park (353 units) will be rented to non-military tenants and designated as occupied surplus. The rental stream from these 687 units³ will be used to service the Capmark loan and provide additional cash flow to fund IDP construction. After the IDP, the project will have the option to dispose of the unrenovated homes in the Marshall Park and Lower Stilwell neighborhoods and use the proceeds to pay down existing debt and equity and possibly invest in the out year development scope, depending on the amount of net sales proceeds ultimately received.

A post IDP breakout of unit counts and neighborhoods, by rank, is presented below.

³ Excludes 50 units to be demolished storm water collection pond scheduled to occur in the out-years.

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POST IDP BREAKOUT OF UNIT COUNTS BY NEIGHBORHOOD AND RANK

Rank Band	IDP End State Inventory	Number of Units	Population in County*	Implied Capture Rate	Current Occupancy
E1 - E4	Fitch 2B (renovated)	138			
	Lower Stilwell (renovated)	100			
	Hayes Park (new)	160			
	Historic Units (renovated)	0			
E5 - E9	Subtotal E1-E4	398	568	70%	351
	Doe Park (Kidney new) E5-E6	246			
	Pineview Townhouse (unrenovated) E5-E6	156			
	Historic Units (renovated) E5-E9	15			
O1 - O3	La Mesa (new) E7-E9	50			
	Subtotal E5-E9	472	607	78%	348
	Fitch Park (new)	213			
	La Mesa (renovated)	102			
O4 - O6	Historic Units (renovated)	10			
	Subtotal O1 - O3	325	656	50%	324
	La Mesa (new)	359			
	Historic Units (renovated)	16			
	Subtotal O4-O6	370	625	59%	334
Total		1,565	2,456	64%	1,357

*Per DMDC - August 2008 (peak population timeframe for installations)

(b) (4)

In order to ensure that this is achievable, we have built some contingency plans and conservative assumptions into the MSP:

1. Given the current state of the capital markets, (b) (4)
2. We have assumed that we will earn access to only (b) (4)
3. Expense and revenue annual escalation has been assumed at (b) (4) per year each.
4. Hard cost escalation has been assumed at (b) (4) per year, which in the current economic environment, appears to be a generous assumption.

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5. Occupancy rates have been set to (b) (4) units on average per year for 2009, 2010, and 2011. For 2012 and 2013 (the final two years of the IDP), the occupancy has been set to (b) (4) or (b) (4) units. Current occupancy is (b) (4) units. Occupancy projections include military family and all waterfall tenants.
6. Proceeds from the proposed sale of occupied surplus land and market/workforce housing parcels have been assumed to occur during the out year development period.

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Construction Plan

Approximately (b) (4) has been budgeted for construction costs (hard costs) across the remaining 5 years of the IDP. The construction allowances assigned to the various neighborhoods that make up the project are presented below.

(b) (4)



New Construction

The new houses to be constructed in the Stilwell Kidney (to be renamed "General Doe Park" per the Presidio's direction), will be similar to the houses constructed at the project to date. The sizes of the units built in the Kidney will range from 1,722 square feet to 2,089 square feet. The average size will be approximately 1,785 square feet. Minor adjustments from previous phases will include increased energy efficiency in line with new California Energy Star requirements. New requirements from the Marina Coast Water District will also require that additional water-conserving fixtures be installed (e.g., 1.3 gallons per flush toilets rather than the 1.6 gallons per flush commodes that have been installed to date).

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(b) (4)

Two hundred and forty-six (246) new units are planned for construction in two phases (1A and 1B), which have capacity for 299 total units. (b) (4)

(b) (4) construction of an additional thirty-eight (38) units during the IDP, bringing the total unit count to two hundred and eighty-four (284), in the Stilwell Kidney neighborhood will be contingent upon the availability of funds. The intent is to build these additional 38 units as an option to the construction contract in order to ensure the ease of execution and favorable pricing.

As part of the Kidney construction activities, Clark will endeavor to get lender approval to allow for the 10 new playgrounds budgeted at total cost of (b) (4) in this MSP to be constructed across the existing neighborhoods throughout the project.

The 50 new homes programmed at La Mesa Village will also range from 1,722 square feet to 2,089 square feet and will be comprised of the same floor plans and facades that have been constructed already throughout La Mesa Village.

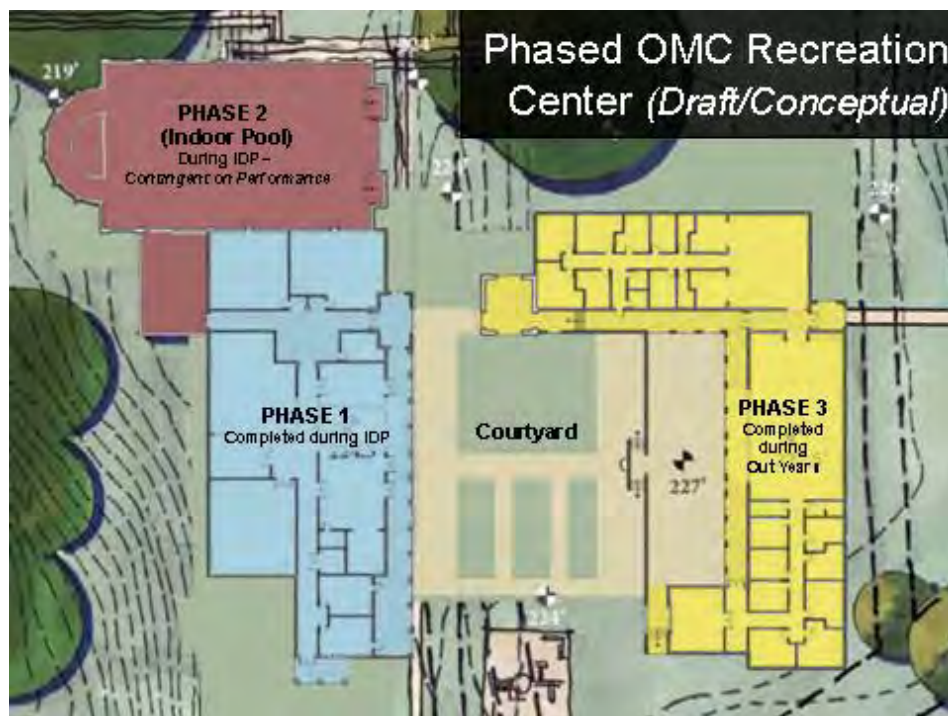
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Proposed Location of the OMC Recreation Center



Conceptual Rendering of the OMC Recreation Center



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Recreation Center

One 7000 square foot recreation center to be constructed starting 2011 (shown as Phase I in the previous page). If the project NOI has not met the final MSP pro forma by June 2010, commencement of construction will require DARCI approval. Phase II (subject to DARCI approval) will include an indoor swimming pool and is also anticipated to occur during the IDP. Phase III of the recreation center is also anticipated in the out-years, subject DARCI approval.

7,000 Sq. Ft. Phase I includes:

- Entry & Lobby
- Leasing Office
- Cardio Room
- Weights Room
- Children's Play Room
- Multi-Purpose Room
- Conference Room
- Men's & Women's Locker Rooms
- Kitchen
- Storage
- Arcade
- Rest Rooms
- Porch

Renovations

Historic renovations will continue at the Presidio and the Naval Postgraduate School at approximately (b) (4). The historic renovation costs are running approximately (b) (4) per unit than budgeted during the CDMP, due to the extensive dry rot, termite damage, and other structural decay that was found in the homes as work began in 2005.

Non-historic renovation scope will vary based on unit types and neighborhoods. Lower Stilwell Park (a junior enlisted neighborhood) and Fitch 2B, will receive extensive renovations, at (b) (4) per unit and (b) (4) per unit respectively. These per unit budgets will most likely include:

- New kitchen open to the living room
- Relocated laundry room
- New light fixtures, outlets, electrical grounding
- New bathroom fixtures and finishes
- Addition of shower in 1.5 bath, 3 and 4 bedroom homes
- Master bedroom closet modification
- Enclosed carport with garage door
- New exterior paint
- New interior paint
- Landscaping and irrigation
- New backyard fencing
- Roof repairs or replacements (75% of units)
- New sliding glass doors (25% of units)

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Two test renovations were conducted in Lower Stilwell as part of the MSP development process. The completed units were toured by numerous military families in order to get their feedback. Several senior enlisted spouses that they would gladly surrender their senior enlisted BAH in return for the opportunity to live in the renovated units that will be designated for junior enlisted families. Furthermore, several Army officials from D.C. toured the units and were very impressed with the renovations and quality of the housing.



The following tables show the detailed break out of the planned renovations on each unit type in each neighborhood and a detailed scope of work of the Lower Stilwell renovation. The development plan contains drawings illustrating the renovations.

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Renovation Matrix

Capehart Forest, La Mesa Village									
Unit	Sq Ft	Bdrm	Bthrm	Type	Key Scope Items	Comments	# of Units	Cost Per Unit	Total
M	932	2	1	Duplex	Heavy turn	Foreign Military Student (FMS) units.	4	(b) (4)	
N	1,064	3	2	Duplex	Enclose the back patio into a study/ Jr. bedroom with a small closet. Add sliders to living room. New Patio. Privacy wall between carports. Freestanding storage shed in back yard. Miscellaneous improvements.	Will become a 4 bdrm / 2 bath with addition of 90 SF.	36		
P	1,247	4	2	Single	Add storage shed and miscellaneous improvements		6		
Total/Avg							46		

Terrace Oaks, La Mesa Village									
Unit	Sq Ft	Bdrm	Bthrm	Type	Key Scope Items	Comments	# of Units	Cost Per Unit	Total
G	1,010	2	1	Single	Heavy turn	Foreign Military Student (FMS) units.	15	(b) (4)	
F	1,089	3	1	Duplex	Heavy turn	Foreign Military Student (FMS) units.	8		
H	1,205	3	1.5	Single	Convert existing storage room to master bath, add freestanding storage shed.	Will become a 3 bdrm / 2.5 bath unit.	9		
L	1,205	3	1.5	Duplex	Convert existing storage room to master bath, add freestanding storage shed.	Will become a 3 bdrm / 2.5 bath unit.	4		
K-3	1,255	3	2	Duplex	Add storage shed and miscellaneous improvements.		8		
K-4	1,298	4	2	Duplex	Add storage shed and miscellaneous improvements.		12		
Total/Avg							56		

Lower Stilwell Park, Ord Military Community									
Unit	Sq Ft	Bdrm	Bthrm	Type	Key Scope Items	Comments	# of Units	Cost Per Unit	Total
2N	1,173	2	1	Duplex	Comprehensive unit upgrades.		2	(b) (4)	
N2D/N2DF	1,173	2	1	Duplex	Comprehensive unit upgrades.	18 units will become 9 4br units.	18		
3N	1,275	3	1.5	Duplex	Comprehensive unit upgrades, add shower to half bath.	Will become a 3 bdrm / 2 bath unit.	32		
N3D	1,275	3	1.5	Duplex	Comprehensive unit upgrades, add shower to half bath.	Will become a 3 bdrm / 2 bath unit.	56		
Total/Avg							108		

Fitch 2B, Ord Military Community									
Unit	Sq Ft	Bdrm	Bthrm	Type	Key Scope Items	Comments	# of Units	Cost Per Unit	Total
	1,422	2	1	Single	Comprehensive unit upgrades.		1	(b) (4)	
	1,422	2	1	Duplex	Comprehensive unit upgrades.		30		
	1,436	3	1	Single	Comprehensive unit upgrades.		12		
	1,436	3	1	Duplex	Comprehensive unit upgrades.		76		
	1,550	3	2	Single	Comprehensive unit upgrades, add shower to half bath.		6		
	1,513	4	1.5	Single	Comprehensive unit upgrades, add shower to half bath.		12		
	1,566	4	2	Single	Comprehensive unit upgrades, add shower to half bath.		1		
Total/Avg							138		

Renovation Scope for Lower Stilwell and Fitch 2B -- Lower Enlisted Neighborhoods.(b) (4)
238 3-Bedroom and 4-Bedroom Duplex Units

EXTERIOR	DESCRIPTION
Hazmat assessment/abatement	Hazardous material testing, workplan generation, required abatement work.
New asphalt shingle roof and gutters	Remove existing roof as required and place 30-year asphalt shingle roof. No framing work.
Exterior paint	Complete repaint of exterior with elastomeric. Two colors, body and trim required. Includes exterior doors and carports.
Sidewalk repairs	Demo, remove, and replace broken or heaved sidewalk as required (100 s.f. average).
New backyard fence	Remove 150' of wood fence; add 150' of new wood fence.
Front yard landscaping	200 sf of planting bed with irrigation and one 24 x 24 box tree.
Enclosed 1-car garage with exterior storage	Enclose single carport with framing and stucco. Add garage and mandoor.
INTERIOR	DESCRIPTION
Kitchen replacement (with opening to living room)	Same appliance and sink layout. New appliances and cabinets. Removes full wall with countertop shelf. Same specs as new home kitchens and appliances.
Interior storage conversion to laundry room	75% of units: Move laundry to storage room with requisite plumbing and electrical work. 25% of units, create laundry closet in kitchen area.
Bathroom replacement	Replace the full bathroom finishes, including all plumbing fixtures.
Half bath conversion to full bath	Add shower to existing half bath, replace the full bathroom finishes, including all plumbing fixtures.
Refinished wood floors	If hardwood damaged beyond repair/refinishing, carpet and pad in lieu (850 sf avg.)
New vinyl flooring in kitchen, baths, & storage	400 sf avg.
Interior paint	2 coats, paint all drywall, doors and trim, semigloss finish.
New electrical finishes	Remove and replace all light fixtures, switches, outlets, add 2 designated circuits to panel.
Ground electrical system	Drive ground rod and connect to panel; run ground wire to all fixtures and devices. Cost includes drywall repair.
New blinds	Remove existing and replace with new.
New doors, trim, hardware	Remove and replace all doors, including closets and exterior, install toilet accessories, includes hardware.
New sliding glass door	25% of units as necessary, replace existing sliding glass door with new double pane door. Includes removal of existing.
Add interior shelving to storage room and/or laundry room	White, wire shelving system

Note: An additional 18 duplexes in Lower Stilwell will be combined and converted into 9 single family residences with 4+ bedrooms each. Renovation scope will be similar to 3 BR and 4 BR renovations, plus the appropriate floorplan adjustments. Hard cost allowance is (b) (4) for each of the 9 resulting units.

MODIFIED SCOPE PLAN

December 2008

DEVELOPMENT PLAN**1. Development Overview**

With the implementation of the proposed Modified Scope Plan for the Presidio of Monterey/Naval Postgraduate School (POM / NPS) RCI project, at the end of the IDP the project will have completed:

- Construction of 1,028 new homes
- Renovation of 41 historic homes
- Renovation of 340 existing homes
- 156 unrenovated units redesignated from officer to enlisted
1,565 total units

The scope differences between the original CDMP and the proposed MSP are illustrated in the table below.

	New	Historic Renovation	Renovation	Unrenovated	Total	Occupied Surplus
Original CDMP	2,168	41	0	0	2,209	0
MSP	1,028	41	340	156	1,565	737
Difference	-1,140	0	340	156	-644	737

By the end of the IDP, most of the military housing areas will have new or renovated homes and will be more functional, attractive, and livable communities. Included in the revitalization of the neighborhoods is the addition of a recreation center and tot lots. The table below provides a comparison between the amenities included in the closing documents and those included in the MSP.

COMMUNITY FACILITIES				
HOUSING AREA	FACILITY	CLOSING	MSP	DELTA
La Mesa	Tot Lots & Playgrounds	17	18	1
	Baseball Fields	1	0	-1
	BMX Track	1	1	0
	Soccer Fields	2	2	0
	Tennis Courts	5	4	-1
	Basketball Courts	2	1	-1
	Community/Rec Centers	1	1	0
	Neighborhood Centers	1	0	-1
	Picnic Shelters	1	0	-1
OMC	Tot Lots & Playgrounds	45	27	-18
	Baseball Fields	3	0	-3
	Soccer Fields	3	3	0
	Tennis Courts	15	5	-10
	Basketball Courts	7	3	-4
	Clubhouse	1	1	0
	Town Hall	1	0	-1
	Neighborhood Centers	3	2	-1
	Picnic Shelters	3	0	-3

As part of the project, Monterey Bay Land (MBL) will conduct an Out-Year Development Plan for ongoing revitalization through construction of additional amenities and systematic renovation and replacement of existing structures.

MODIFIED SCOPE PLAN

December 2008

2. Master Planning

Since the installations had no materially vacant land available for new housing, all proposed new housing in the CDMP was planned to replace existing houses in existing neighborhoods using (for the most part) the existing street networks. As the project shifts from housing replacement to a combination of new housing and renovations per the MSP, the existing neighborhoods, La Mesa Cliffs (the planned new neighborhood in La Mesa Village), and circulation patterns will remain primarily the same as had been planned in the CDMP. Master planning changes associated with the MSP are limited to the Ord Military Community and include:

1. *The addition of the Kidney property to the ground lease:* The kidney property has been an eyesore, security risk, and a leasing detriment since the start of the project. The property is centrally located adjacent to the commissary, PX, community center and other military amenities. Replacement of the 400 blighted homes with new military rental units will provide cohesion and consistency among the military neighborhoods and transform the Ord Military community from a master planning perspective.

2. *The future disposition of Upper Stilwell and Lower Fitch Parks for the workforce housing project:* Clark Pinnacle, the RCI office, and leadership at the Presidio and the Naval Postgraduate School worked together to select the most appropriate location for the properties to be removed from the Ground Lease and sold for purposes of developing the much needed DoD workforce houses. After considering several options, Lower Fitch and Upper Stilwell were selected as the most appropriate properties to remove from the Ground Lease. Primarily, the properties were chosen because they are adjacent to property owned by the City of Seaside where a major golf hotel, resort, and residential community have been planned. With 500 hotel/timeshare units and 125 private residents expected in the near future (construction has begun on the residential lots and hotel construction is expected to begin later in 2008), houses that would eventually be owned by DoD civilians seemed like the most appropriate buffer between military and civilian uses – particularly since there is no force protection fencing or secure perimeter surrounding Ord Military Community. This plan will be revisited in 2010.

3. (b) (4)

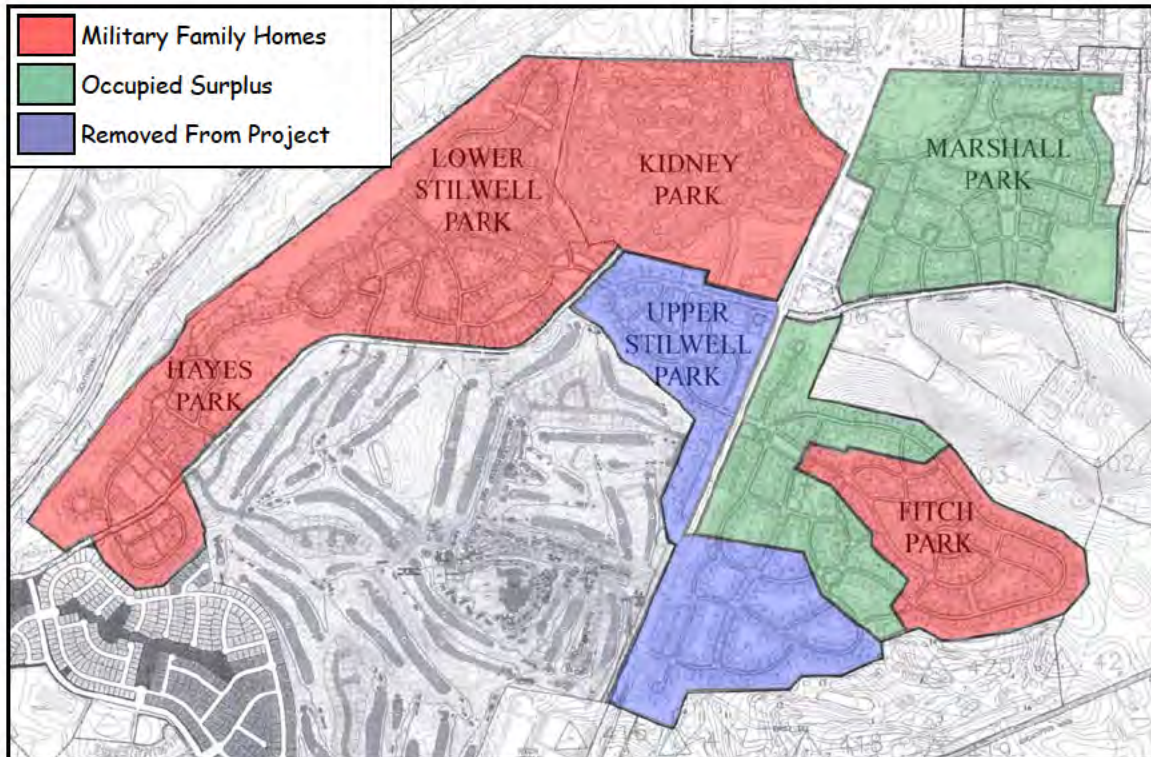
3. *Reduction of playgrounds and ball fields:* Due to financial constraints and in proportion to the reduction in the end state housing requirement, the MSP does not call for as many playgrounds, tennis courts, basketball courts, and baseball fields as contemplated by the CDMP. However, all neighborhoods (other than the Occupied Surplus neighborhoods) will have new playgrounds, clubhouses/recreation centers, and/or ball fields. Additional amenities may be constructed during the Out-Years of the project.

The following maps illustrate the locations of the military family rental homes in Ord Military Community during the IDP and the Out-Years.

MODIFIED SCOPE PLAN

December 2008

Ord Military Community During the IDP

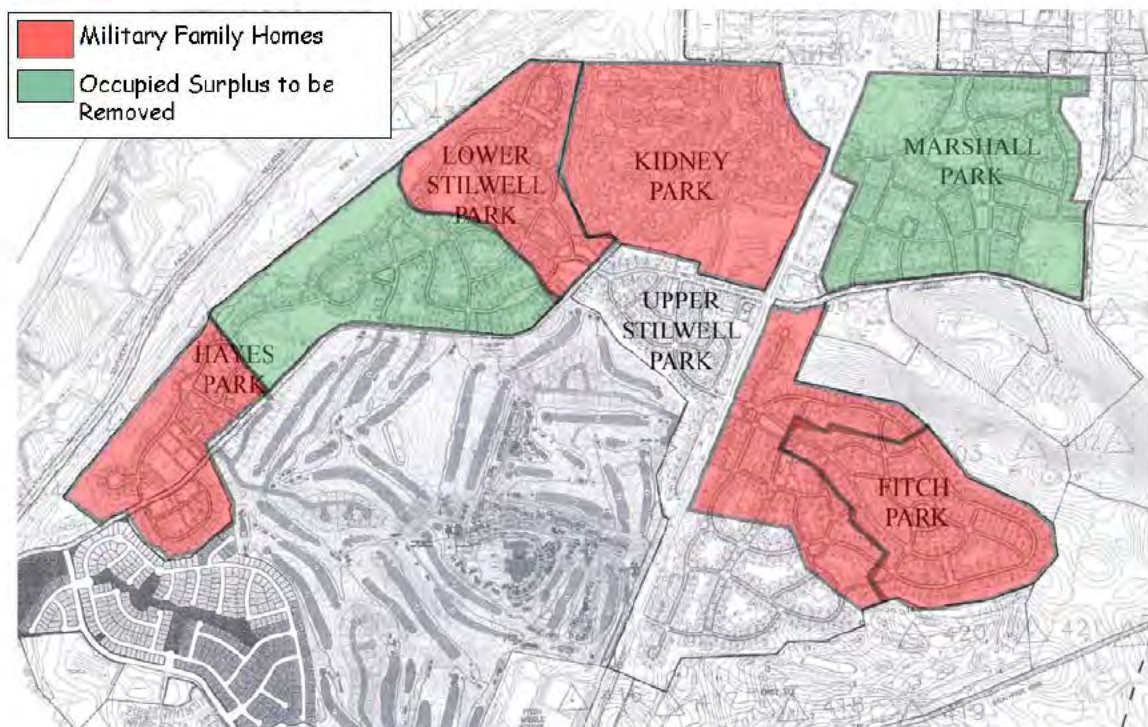


The MSP takes into account the demand for active duty military family housing that the project has experienced to date. Our proposed end-state housing inventory for active duty military families is 1,565 homes. We are therefore disregarding the most recent HMA update (December 2007), which we believe incorrectly assessed the demand for military housing in 2012 to be 2,516 units. As the new homes in the Kidney and the renovated homes in the Lower Stilwell and Fitch 2B come on-line during the IDP, the non-military tenant base will shift to the Marshall Park and the unrenovated portion of the Lower Stilwell neighborhoods (737 units). (b) (4)

MODIFIED SCOPE PLAN

December 2008

Ord Military Community During the Out-Years (after Fitch 2B has been renovated)



MODIFIED SCOPE PLAN

December 2008

4. Initial Development Plan

The MSP proposes to complete the IDP as illustrated in the following table:

End of IDP

ORD MILITARY COMMUNITY	Beginning of IDP	New Completed	New	Demolish / Remove from MBMH	Existing to be Renovated	Total
Hayes Park	174	160	0	0	0	160
Fitch Park	452	213	0	313	138	352
Upper Stilwell Park	109	0	0	109	0	0
Marshall Park	353	0	0	0	0	353
Lower Stilwell Park	500	0	0	17	100	483
"The Kidney"	0	0	246	0	0	246
TOTAL	1,588	373	246	439	238	1,594

LA MESA VILLAGE	Beginning of IDP	New Completed	New	Demolish / Remove from MBMH	Existing to be Renovated	Total
La Mesa Village Phase 1 (Wherry Grove)	41	90	0	0	0	90
La Mesa Village Phase 2 (Wherry Grove)	68	144	0	0	0	144
La Mesa Village Phase 3 (portion of Capehart Forest)	104	125	0	0	0	125
Capehart Forest	46	0	0	0	46	46
Terrace Oaks	56	0	0	0	56	56
La Mesa Cliffs	118	0	50	118	0	50
PineView Townhouses	156	0	0	0	0	156
TOTAL	589	359	50	118	102	667

HISTORIC HOMES & POM APTS.	Beginning of IDP	Renovation Completed	New	Demolish / Remove from MBMH	Existing to be Renovated	Total
POM historic	37	24	0	0	13	37
POM apartments	50	0	0	50	0	0
NPS	4	1	0	0	3	4
TOTAL	91	25	0	50	16	41

MONTEREY BAY MILITARY HOUSING	Beginning of IDP	New / Renovation Completed	New	Demolish / Remove from MBMH	Existing to be Renovated	Total
TOTAL	2,268	757	296	607	356	2,302



New Housing Neighborhoods in the POM/NPS RCI Project

MODIFIED SCOPE PLAN

December 2008

IDP Summary

Location	Beginning of IDP	New / Historic Reno. Completed	PROPOSED MSP PLAN			Total
			New	Demolish / Remove from MBMH	Existing to be Renovated	
Ord Military Community	1,588	373	246	439	238	1,594
La Mesa Village	589	359	50	118	102	667
Historic Homes & POM Apts.	91	25	0	50	16	41
TOTAL	2,268	757	296	607	356	2,302

NON-MILITARY RENTAL	Total
Lower Stilwell (Unrenovated portion)	384
Marshall Park	353
TOTAL	737

The following chart summarizes the anticipated timing of development for the entire IDP as proposed in the Modified Scope Plan. New construction in the Out-Years has been prioritized for neighborhoods that only get renovated in the IDP.

MODIFIED SCOPE PLAN

December 2008

MSP Christmas Tree Chart
(b) (4)



MODIFIED SCOPE PLAN

December 2008

The following chart illustrates the original CDMP development plan.

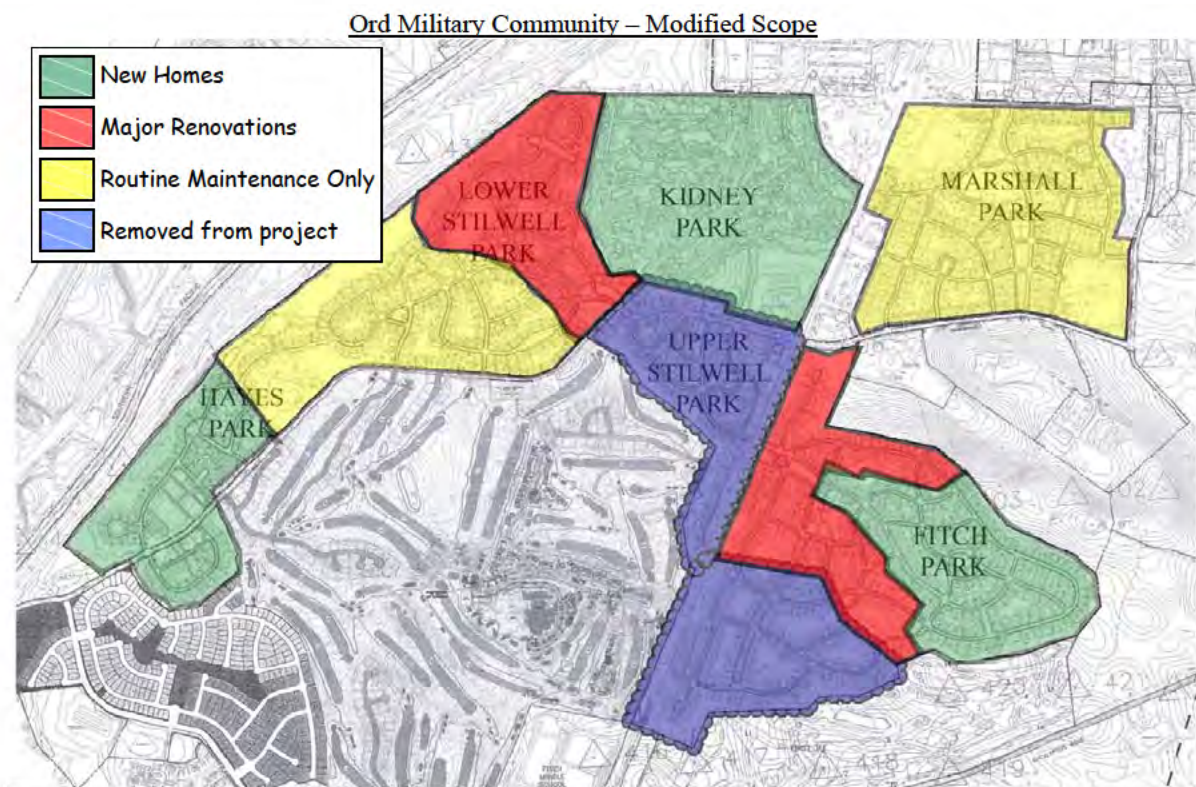
(b) (4)



MODIFIED SCOPE PLAN

December 2008

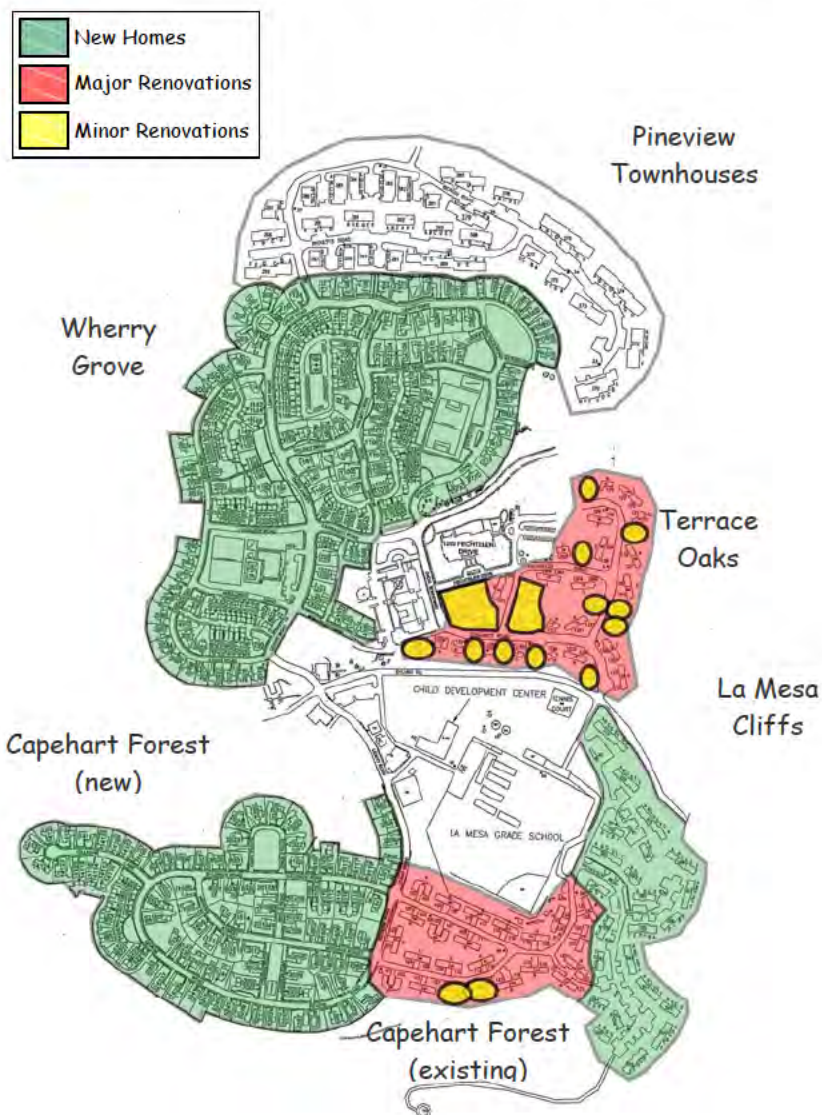
The following colored site plans illustrate the MSP locations of renovated and new homes after the IDP in Ord Military Community and La Mesa Village.



MODIFIED SCOPE PLAN

December 2008

La Mesa Village – Modified Scope



New homes and major renovation homes in La Mesa Village will be occupied by US Officers who pay US BAH or US BAH equivalent.

MODIFIED SCOPE PLAN

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Lower Stilwell and Fitch 2B Comprehensive Unit Upgrades

EXTERIOR
Hazardous material testing and abatement
New asphalt shingle roof and gutters on 75% of units
Exterior paint
Sidewalk repairs
New backyard fence
Front yard landscaping
Enclosed garage
INTERIOR
New open kitchen
New laundry room
Renovation/Replacement of existing bathrooms
New vinyl flooring in kitchen, baths, & storage
New carpet or refinished hardwood flooring
Interior paint
New electrical finishes
Grounded electrical system
New blinds
New finish hardware
New sliding glass door on 25% of units

MODIFIED SCOPE PLAN

December 2008

Unit N, Capehart Forest, La Mesa Village

Scheduled Renovations:

- Enclose the back patio into a study/ junior bedroom
- New patio
- Storage shed

(b) (4)



(b) (4)



MODIFIED SCOPE PLAN

December 2008

Unit H, Terrace Oaks, La Mesa Village

Scheduled Renovations:

- Conversion of existing storage to master bathroom
- Storage shed

(b) (4)



MODIFIED SCOPE PLAN

December 2008

Unit L, Terrace Oaks, La Mesa Village

Scheduled Renovations:

- Conversion of existing storage to master bathroom
- Storage shed

(b) (4)



MODIFIED SCOPE PLAN

December 2008

Unit 3N, Lower Stilwell Park, Ord Military Community

Scheduled Renovations:

- Shower addition to half bathroom
- Comprehensive unit upgrades
- Enclosed garage with garage door

(b) (4)



MODIFIED SCOPE PLAN

December 2008

Unit N3D, Lower Stilwell Park, Ord Military Community

Scheduled Renovations:

- Shower addition to half bathroom
- Comprehensive unit upgrades
- Enclosed garage with garage door

(b) (4)



MODIFIED SCOPE PLAN

December 2008

Unit N4, Lower Stilwell Park, Ord Military Community

Scheduled Renovations:

- Bathtub or shower addition to half bathroom
- Comprehensive unit upgrades

(b) (4)



MODIFIED SCOPE PLAN

December 2008

4. Out-Year Development Plan

The original CDMP Out-Year plan included renovations to each home (b) (4)

The MSP Out-Year plan includes replacement of all non-historic existing units remaining, with the priority for replacement given to the existing homes that received the least renovations dollars during the IDP. In addition, the second phase of the Kidney – approximately 95 homes – will be constructed (b) (4). In addition, the 100 units in Lower Stilwell Park, which were renovated during the IDP, will be demolished and replaced with 100 new homes (b) (4). During this phase of construction, 50 homes in Lower Stilwell Park are also scheduled to be demolished (b) (4) to create room for a storm water management pond that will collect the storm water currently released into Monterey Bay.

156 units Pineview Townhouses are scheduled to be demolished and will be replaced with 61 new townhomes between (b) (4). Pineview homes will have received the least amount of renovations during the IDP. The Fitch 2B neighborhood and (138 units) and La Mesa Village single family and duplex homes (Terrace Oaks and Capehart Forest- 102 units) that received major renovations during the IDP will be replaced between (b) (4).

During the Out-Years, each new home constructed during the IDP and the historic homes will receive a major renovation valued at approximately (b) (4). The recreation centers, tot lots, and other amenities will be renovated during the renovation cycle of the respective neighborhoods (for example the amenities in Hayes Park will be renovated when the homes in Hayes Park are renovated).

It is important to recognize that our out-year redevelopment program is in addition to Pinnacle's Property Management Plan that provides for the replacement of items (carpet, tile, appliances, etc.) that have economic lives less than 10 years as well as complete unit make-ready procedures that are implemented each time a home changes occupancy. Pinnacle's make-ready procedures ensure that paint, carpet and all the components in each home are maintained to meet our exacting standards for quality.

(b) (4)

MODIFIED SCOPE PLAN

December 2008

5. Construction Plan

Presented on the next page is a breakdown of construction costs, by phase, which the project has incurred to date.

MODIFIED SCOPE PLAN

December 2008

(b) (4)



MODIFIED SCOPE PLAN

December 2008

(b) (4)



MODIFIED SCOPE PLAN

December 2008

Total development costs going forward in order to deliver the MSP are projected to be (b) (4) and are presented in the tables that follow.

Hard Costs Going Forward**New Construction**

Neighborhood	# of Units	Cost Per Unit	Total
Demo (400 units) and New Construction (246 units) of Kidney Units	246	(b) (4)	
Demo (118 units) and New Construction (50 units) of La Mesa Cliffs	50		
Demo of POM Apartments	50		
Total			

Renovation

Neighborhood	# of Units	Cost Per Unit	Total
Lower Stilwell Junior Enlisted 3 & 4 BR	100	(b) (4)	
La Mesa Village Singles & Duplexes	102		
Fitch 2B Junior Enlisted Conversion from Officer Units	138		
Remaining Historic Renovations	16		
Subtotal Renovation	356		

Amenities

Category	# of Units	Cost Per Unit	Total
Clubhouse	1	(b) (4)	
New Tot Lots	10		
Subtotal			
Subtotal			(b) (4)
Hard Cost Escalation			
Project Total			

MODIFIED SCOPE PLAN

December 2008

The MSP IDP soft costs (in current dollars) are budgeted to be (b) (4) The following table shows the breakdown of soft costs.

Soft Costs Going Forward
(b) (4)

MODIFIED SCOPE PLAN

December 2008

Construction Phasing Schedule

The Unit Inventory Schedule below illustrates the construction schedule of each phase. The unit delivery schedule assumes late-2008 MSP approval. If MSP approval is delayed, the schedule will be adjusted accordingly. The schedule will be used for the sake of the development incentive determination.

Modified Scope Plan – Initial Development Period
(b) (4)

Kidney (General Doe Park) New Unit Construction

The Kidney property was not originally included in the project's CDMP, but has been added as part of the land swap with the City of Seaside, the Army, and Monterey Bay Land LLC. The Stilwell Kidney property is 100 acres of land that currently contains 400 blighted, abandoned former military houses that were transferred to the City of Seaside as part of the closure of Fort Ord in the 1990s. MBL plans to demolish the 400 abandoned units and build 246 new military homes in their place (b) (4)

These phases will not require relocation of any families and is scheduled to be completed by (b) (4)
These new homes will house accompanied senior enlisted personnel (E5-E7) and possibly accompanied junior officer personnel (O1-O3).

Demolition of POM Apartments

As originally contemplated in the CDMP but delayed by three years, the 50 apartment units at the Presidio of Monterey will be demolished in 2009 to create room for additional Defense Language Institute facilities.

Disposition of Upper Stilwell and Lower Fitch

(b) (4)

Capehart Forest and Terrace Oaks Renovations

The existing singles and duplexes in Capehart Forest and Terrace Oaks at La Mesa Village are scheduled to receive renovations from 2010 to 2013.

Lower Stilwell Park Renovations

One hundred (100) homes in Lower Stilwell Park will undergo major renovations instead of the proposed new construction of four hundred and sixty seven (467) homes as per the CDMP. Upon completion, these renovated homes will be designated as homes for accompanied junior enlisted personnel (E1-E4). These homes were selected based on their adjacency to the Kidney (General Doe Park) neighborhood which will be newly built homes.

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December 2008

Fitch 2B Renovations

One hundred and thirty-eight (138) homes in Fitch 2B will undergo major renovations. Upon completion of the renovations, the neighborhood will be redesignated from officer housing to homes for accompanied junior enlisted personnel (E1-E4).

La Mesa Cliffs

The 118 townhomes in La Mesa Cliffs are scheduled to be demolished and replaced with 50 new homes to be delivered at the end of the IDP.

Historic Renovations

Monterey Bay Land will continue renovating the 37 historic homes at POM and the 4 historic homes at NPS. These homes are renovated as they are vacated following the reassignment or permanent change of station (PCS) of the resident families. The final historic renovation should be completed in 2012.

MODIFIED SCOPE PLAN

December 2008

Structure of the Construction Agreement

The MSP does not require any change to the structure of the existing construction agreement. The terms and conditions of the existing agreement have been utilized without modification from closing to the current date. The Contractor has met the conditions and all parties have found the structure and performance to be mutually agreeable.

New Construction in the Stilwell Kidney Property and La Mesa Village

The MSP anticipates construction of new homes and amenities within the newly added Kidney property and the new homes in La Mesa Village. This scope modification does not require a change in the construction agreement terms or conditions. The existing agreement includes phased replacement of the project housing inventory with new construction of homes performed via future alternates. The demolition and new construction of homes in the Kidney and La Mesa Village represent a modification of the phased future alternate neighborhood location. The construction means and methodology remain largely the same to produce amenities and new homes that are substantially the same as those included in the existing agreement.

The future alternates shall be amended for the scope performance in the Kidney neighborhood and performed per the agreement as directed by Monterey Bay Land. A GMP will be established for Phases I and II of the Kidney and the new units in La Mesa Village based on the defined scope. The GMP value of each future alternate for subsequent phases will be established as Monterey Bay Land defines the scope and start date. Each GMP will be based on market conditions present at execution with no RS Means escalation factor required.

Renovations and Community Center

The CDMP master plan and construction agreement included phased replacement of La Mesa and Ord Military Community homes with new construction as well as renovation of homes located at POM and NPS. The MSP anticipates renovation of select La Mesa and Ord Military Community neighborhoods rather than replacement and the construction of a recreation center as outlined previously in this document. This scope modification does not require a change in the construction agreement terms or conditions and will be handled as an allowance to the contract, whereby the general contractor will not be able to share in any potential cost savings. Provisions for renovation were included in the existing agreement and will be utilized to establish the terms and conditions for the new renovations. The agreement established future alternates for the phased construction scope inclusive of these neighborhoods. These future alternates shall be amended from the replacement/new construction scope to the renovation scope and performed per the agreement as directed by Monterey Bay Land.

MODIFIED SCOPE PLAN

December 2008

Infrastructure Strategy

The water and sewer infrastructure in Ord Military Community is owned and maintained by the Marina Coast Water District (MCWD). The project, in conjunction with MCWD, performed an extensive condition assessment of the existing wet utility infrastructure in the Kidney (the only new construction phase in the MSP). Using the results of the condition assessment, the project is designing the civil engineering plans, which require final approval from MCWD, accordingly.

Where new houses are to be constructed on roads that previously did not exist in the Kidney, new sanitary sewer mains and new potable water mains will be designed and constructed per MCWD's standards to service homes located on the new roads. Individual water meters and new laterals will also be installed at all new homes. The project will not replace, but will make improvements to the existing sanitary and sewer mains in the roads that will remain in the new Kidney site plan.

The project will install new underground dry utility infrastructure in the Kidney to supply gas, power, cable, and phone service to the new homes.

6. Project Drawings

Project construction drawings for the new Kidney units are nearing completion and progress plan sets are available upon request. The new houses to be constructed in the Stilwell Kidney (to be renamed "General Doe Park"), will be similar to the houses constructed at the project to date. The sizes of the units built in the Kidney will range from 1,722 square feet to 2,089 square feet. The average size will be approx 1,785 square feet. Minor adjustments from previous phases will include increased energy efficiency in line with new California Energy Star requirements. New requirements from the Marina Coast Water District will also require that additional water-conserving fixtures are installed (e.g., 1.3 gallons per flush toilets rather than the 1.6 gallons per flush commodes that have been installed to date).

7. Technical Specifications

The technical specification for the new houses are unchanged, other than mechanical, electrical, and plumbing changes due to new Energy Star and MCWD requirements. Minor other adjustments have been made (e.g., flooring materials) based on input from current residents of new houses built to date. Technical specifications for the proposed renovations will be developed upon approval of the MSP.

8. Environmental Reports

All environmental documentation required for the MSP is complete to the best of Clark's knowledge.

MODIFIED SCOPE PLAN

December 2008

LEGAL AND GOVERNANCE PLAN

No changes are proposed for the legal and governance structure other than adjustments to the Ground Lease to accommodate the proposed land transfers. New entities are proposed to facilitate the DoD workforce housing project and to ensure that funds generated by the project can be reinvested into the RCI project. Descriptions of the proposed entities and an organizational chart are included in the DoD Workforce Housing chapter.

MODIFIED SCOPE PLAN

December 2008

PROPERTY MANAGEMENT AND OPERATIONS PLAN

Presented below is a comparison of actual operating expenses incurred in 2007 compared to the expenses for 2007 as originally budgeted in the closing pro forma. (b) (4)



Operating Expenses Comparison Table

	CDMP Pro Forma		Actual		Difference	
	Total	Per Unit	Total	Per Unit	Total	Per Unit
	2007	2007	2007	2007	2007	2007
Average Units On Line	(b) (4)					
<u>EXPENSES</u>						
Total Salaries & Personnel						
Total Administrative Expenses						
Total Marketing Expense						
Total Repairs & Maintenance						
Total Cleaning & Decorating Expense						
Total Contract Services						
Total Utilities						
Hazard Insurance						
Renter's & Liability Insurance						
Total Base Management Fee						
Total Operating Expenses						

Customer satisfaction has been a tremendous challenge that the partnership has been collectively working to improve upon over the past several years. Efforts to increase satisfaction that have resulted in cost increases as compared to the original project plan include:

- Lawn mowing of all front and side yards by the property manager, which was not originally included in the CDMP.
- Decentralized management offices versus a single centralized office increased the quantity of management personnel so that each individual neighborhood has a management office whose staff can provide more customized and personalized services to neighborhood residents.

Changes that have reduced costs include a reduction in organized social events and community parties that had been contemplated to occur on a frequent basis throughout each year.

Capital Repair and Replacements

The project closed with (b) (4) for capital repair and deferred maintenance. (b) (4)

MODIFIED SCOPE PLAN

December 2008

(b) (4)

As part of the MSP budget, (b) (4) for capital repairs and deferred maintenance, which is expected to provide adequate funding for anticipated and unanticipated capital repairs throughout the remainder of the IDP.

MODIFIED SCOPE PLAN

December 2008

WORKFORCE HOUSING PLAN

Introduction and Legal and Governance.

As part of the MSP, two neighborhoods are scheduled to be disposed of after construction of the 246 Kidney units is complete. Given the state of the housing market, the global financial system, and the U.S. economy, it is very difficult to predict the value of the property and the timing in which a sale could occur.

(b) (4). The partners will re-examine the feasibility of this plan in June 2010 and in the interim the project will coordinate site planning activities to maximize the value and marketability of the properties. While the Army can select whichever developer with whom it can reach terms, selecting Clark is not precluded. DA RCI has requested that special attention be paid to the proposed transaction to ensure that proceeds from the sale of the properties from the DoD workforce housing project for reinvestment in the RCI project. The attached organization charts have been reviewed and approved by Clark and MBMH's attorneys and tax counsel. The charts show the relationships between the existing Monterey RCI project entities and new entities proposed to effectuate both (i) the construction and sale of the DoD Workforce Housing Project through an entity unrelated to the Army, and (ii) the availability of maximum proceeds derived from the sale of such units for use to build additional military family housing units associated with the RCI project. Specifically, proceeds from DoD Workforce Housing Project will be directed to a new holding company called MBL2. MBL2 will be wholly owned by the Army (as is MBL), so the proceeds paid to MBL2 will be exempt from taxation. In addition, these proceeds will be unencumbered by any liens in favor of the bondholders. In conformance with MHPI requirements, and consistent with the structure of the existing RCI Project, it is anticipated that MBL2 will loan these proceeds to MBMH2 (a new private entity formed in a manner similar to MBMH), and MBMH2 will use the proceeds to build as many new houses as possible on the balance of the Kidney. More details are presented below that demonstrate how the property transfers must be structured in order to ensure the successful execution of the project.

Land Exchange Process

Step #1:

Kidney is divided into two parcels, Parcel 1 and Parcel 2. Both Parcel 1 and Parcel 2 are initially leased to MBL. MBL subleases both parcels to MBMH. MBMH demolishes all 400 abandoned units across both parcels and builds 246 new RCI units on Kidney Parcel 1.

Explanation: MBL must not be required to release income-producing units from the lien in favor of the bondholders until and unless replacement income-producing units are in place. Kidney Parcel 2 must initially come into the RCI Project so that Project funds can be used to demolish the existing improvements on this parcel. Funds expended for this demolition and construction work on the Kidney parcels is done in lieu of work originally contemplated for the Upper Stilwell and Lower Fitch parcels.

Step #2:

New Army holding company is formed ("MBL2").

- Upon completion of Step #1, Upper Stilwell and Lower Fitch are released from the MBL Ground Lease and transferred by the Army, in fee simple, to MBL2.
- Parcel 2 of Kidney (the portion not yet built out) is released from the MBL Ground Lease and leased by the Army to MBL2.
- MBL2 sells Upper Stilwell and Lower Fitch to a third party.
- Sales proceeds paid to MBL2 are loaned to MBMH2 and used to build as many new homes on Parcel 2 of the Kidney as possible

MODIFIED SCOPE PLAN

December 2008

Explanation: New entities (MBL2 and MBMH2) and proposed transaction structure ensures compliance with MHPI legislation and allows future profits of workforce housing project to get used by RCI project for military housing.

Organizational Structure Diagrams

(b) (4)



¹Ground Lease and Sublease of Kidney pursuant to written Agreement between Army, MBL and MBMH providing for release of Upper Stilwell, Lower Fitch and Kidney Part 2 from Ground Lease and Sublease upon completion of (i) demolition of all existing housing improvements on Kidney (both Part 1 and Part 2) and (ii) the construction of 246 new units on Kidney Part 1.

MODIFIED SCOPE PLAN

December 2008

(b) (4)





MODIFIED SCOPE PLAN

PRESIDIO OF MONTEREY/ NAVAL POSTGRADUATE SCHOOL

December 12, 2008

FINAL



MODIFIED SCOPE PLAN

October 2008

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MODIFIED SCOPE PLAN

October 2008

EXECUTIVE OVERVIEW

The Purpose of this document is to describe the Modified Scope Plan (MSP) for the Presidio of Monterey/Naval Postgraduate School (POM/NPS) Residential Communities Initiative (RCI) project. The document attempts to follow the outline provided by the RCI PAM Handbook Version 3.0, 8 June 2007 for Modified Scope Plans. This MSP is also consistent with the Concept Paper delivered to the Office of the Assistant Chief of Staff for Installation Management – Installation Services dated 14 January 2008. The MSP will document:

1. Modification of the original development scope of the Presidio of Monterey/Naval Postgraduate School (POM/NPS) Residential Communities Initiative (RCI) project

On October 1, 2003, the United States of America, through the Secretary of the Army, entered into an Operating Agreement with Clark Pinnacle Monterey Bay LLC to form Monterey Bay Land LLC (MBL). MBL was formed for the purpose of redeveloping and managing all the military family housing assets supporting active duty families assigned to the Presidio of Monterey (POM), the Defense Language Institute and Foreign Language Center (DLIFLC), the Naval Postgraduate School (NPS), and other DoD activities located on the Monterey Peninsula. The original Community Development and Management Plan (CDMP) called for MBL to construct 2,168 new homes, provide 41 historic home renovations, and demolish 2,227 existing homes through the year 2013 at a projected cost of (b) (4)

Since the start of the project, MBL has constructed 732 new houses, demolished 610 existing houses, and completed 25 major renovations on the historic houses. However, it is currently projected that MBL will not be able to deliver the original scope of the project for eight primary reasons.

- First, the Army's HMA for the Monterey area, on which the CDMP scope was based, appears to have dramatically over-estimated the requirement for on-post family housing. The HMA, and a subsequent December 2007 HMA update recommended a housing inventory on post that would accommodate more than 100% of all families currently assigned to the two local installations. The MSP end-state, based on five years of occupancy experience has been set with the expectation that 64% of military families in the Monterey County will require on-post housing.
- Second, the project closed with a (b) (4) funding shortfall due to financing issues between the CDMP completion and closing. (b) (4)
- Third, the project has experienced approximately (b) (4) of escalation in construction costs to date, compared to the (b) (4) in the original CDMP for the same period (b) (4). The tables below detail the escalation that the project has experienced according to RSMeans each year. Once applied to the balance of new construction anticipated to complete the CDMP, depending on (b) (4)

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Report.

Construction Escalation Applied to Each Construction Phase

Purchase of Phase	Phase	Contract Escalation Allowance	Escalation Factor Applied	Escalation at Execution of Phase	Unanticipated Escalation Cost
2003	Hayes Park (OMC1)	N/A	N/A	N/A	
2003	La Mesa Phase 1 (LMV1A)	N/A	N/A	N/A	
2004	La Mesa Rec Center (LMV1B)*	N/A	N/A	N/A	
2004	La Mesa Phase 2 (LMV2)	(b) (4)			
2004	Fitch Park (OMC2A)				
2005	La Mesa Phase 3 (LMV3)				
	TOTAL				

(b) (4)

- Fourth, property operating costs have been significantly higher than forecasted, primarily due to contract services (lawn mowing, change of occupancy maintenance, utilities, etc.). The decision to pay Davis Bacon wages on property management activities (b) (4)
- Fifth, occupancy rates for officers, who pay the highest BAH, have been dramatically lower than expected, resulting in overall revenues significantly lower than forecasted. Ninety-five percent occupancy was projected in the CDMP pro forma, while military family occupancy has been closer to 70% since the start of the project.
- Sixth, the Basic Allowance for Housing (BAH) did not increase as much as projected in 2006 and 2007 (and actually *decreased* in 2006) as originally projected. The 2008 weighted average BAH increase of 9% brought the cumulative percentage increase back in line with the pro forma, but does not make up for the lost income in years 2006 and 2007.
- Seventh, the revenue stream from Foreign Military Students (FMS) has been lower than originally forecasted and the quantity of FMS students has increased compared to original expectations. FMS students still pay only approximately 50% of the rent paid by domestic officers, and the project has failed to bring their rents closer to BAH as contemplated in the CDMP. The CDMP called for FMS rents to equal BAH by the end of the IDP.

(b) (4)

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(b) (4)

The eight negative impacts combined have resulted in a (b) (4) range if MBL were to continue working toward the original CDMP project scope. (b) (4), while the other negative impacts (b) (4). Therefore, the project scope must be adjusted to ensure that by the end of the Initial Development Period (31 October 2013), military families stationed in the Monterey area have adequate housing. Detailed financial results for the project have been provided to the Army on a quarterly basis since the start of the partnership. A snapshot of key performance metrics is provided below. (b) (4)

(b) (4)

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2. Acquisition and redevelopment of the Stilwell Kidney parcel

Included in the MSP is a development plan for property that was not originally included in the project's CDMP, but has been added as part of the land swap with the City of Seaside that the Army and Monterey Bay Land LLC ("MBL" – the private entity created by Clark Pinnacle and the Army to execute the RCI project) have been working toward for the past several years. The Stilwell Kidney property is 100 acres of land that currently contains 400 blighted, abandoned former military houses that were transferred to the City of Seaside as part of the closure of Fort Ord in the 1990s. The Kidney is centrally located in the middle of Ord Military Community, and has detracted from the RCI project's ability to market and lease houses to military families. The Army has re-acquired the property from the City of Seaside and leased it to MBL as an addendum to the existing RCI Ground Lease. MBL, as part of the MSP, will demolish the blighted neighborhood and build new military houses in its place.



The Stilwell Kidney Property Today



The Stilwell Kidney Property Tomorrow (Demonstrative photo from Hayes Park – 1st POM/NPS phase)

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3. **Establishment of a separate and distinct operating company, currently referred to as "Department of Defense (DoD) Workforce Housing LLC," for the purpose of future land development and disposition**

In addition to the integration of the Stilwell Kidney property to the Ground Lease, the MSP includes the removal from the Ground Lease and sale of two parcels to generate funds that can be used for RCI housing construction in the out-years of the project. The properties will be sold to and developed by a to-be-named developer into for-sale workforce housing for Department of Defense civilians who support the Presidio of Monterey and the Naval Postgraduate School. The high cost of housing in the area has created challenges in the recruitment and the retention of staff and faculty required to operate the military installations. The properties will be disposed after completion of the 246 new houses in the Kidney. The proceeds from the sale/redevelopment of these properties will be generated for the RCI project after the IDP, perhaps as early as the early out-years. The buyer of the properties will be required to provide 140 "workforce" affordable home ownership opportunities for DoD staff and faculty at POM and NPS, and the opportunity to build up to 150 non-price-restricted home ownership opportunities. Given the state of the housing market, the global financial system, and the U.S. economy, it is very difficult to predict the value of the property and the timing in which a sale could occur. (b) (4)

(b) (4). The partners will re-examine the feasibility of this plan in June 2010 and in the interim the project will coordinate site planning activities to maximize the value and marketability of the properties.

Modified Scope Plan Guiding Principles

Despite the project's challenges and the requirement to re-scope and provide adequate housing for 64%¹ of the military family population that cannot be housed on the economy, the private partnership between Clark, Pinnacle, the Army and Navy has worked effectively to meet its financial obligations to date and continuously improve the housing for the area's military families. The Modified Scope Plan has been based on the following principles:

1. A realistic end state housing requirement of 1,565 units that will provide housing for 64% of the military families in the area. Material growth in military housing is unlikely in the area due to the high cost of living, scarce water resources, and the lack of land for mission expansion.
2. (b) (4)
3. "Occupied Surplus Units" will not be renovated and will continue to be leased according to the tenancy waterfall to generate revenue necessary to pay existing debt service and fund the project's construction GIC accounts. 370 of the 737 occupied surplus units² are already occupied by waterfall tenants and aggressive efforts have begun to maximize the occupancy of these units. Subject to the approval of the partners and the lender, and as soon as market conditions are favorable, the project will endeavor to sell the occupied surplus properties to further "rightsize" project debt and equity and fund out year project reinvestment activities. The timing of the disposition will be revisited in 2010.

¹ Based on the June 2008 Defense Manpower and Data Center report which reported 2,476 military members with dependents receiving BAH in Monterey County.

² As of the end of September 2008.

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Modified Scope Plan Summary

Scope

The proposed MSP is based on project occupancy levels experienced to date and is presented below.

Original CDMP Scope in Brief

- 2,168 new homes, 41 historic renovations (2,209 total units)
- Two community/recreation centers, four neighborhood centers, and one town hall

Modified Scope Plan in Brief

- 1,028 new homes, 41 historic renovations, 340 renovations, 156 unrenovated (1,565 total units)
- 737 units (Marshall Park and Lower Stilwell) classified as occupied surplus, 687 of which may be disposed in out years and 50 of which will be demolished in the out years to make room for a storm water management pond
- One 7000 square foot recreation center to be constructed starting 2011. If the project NOI is not "on pro forma" by June 2010, commencement of construction will require DARCI approval. An indoor swimming pool will be added to the recreation center as a second phase upon approval of DARCI. A third phase for the recreation center is also anticipated after the IDP.
- 10 new tot lots

Based on occupancy experience to date, it is anticipated that throughout the duration of the project, the project will not require more than 1,565 units for active duty military personnel. Ninety percent, or 1,409 of these 1,565 units will be either new or renovated homes. The remaining 10%, or 156 units will be reclassified from O3 housing to E5 and E6 housing. After the construction of the new Kidney units, Fitch 2B (138 units which are currently adjacent to new homes) will be also be renovated. Once renovated, the homes in Fitch 2B will be redesignated for lower enlisted military families. By the end of the IDP, Fitch 2B (138 units) and a portion of Lower Stilwell (108 units) will be renovated and occupied by military personnel. The unrenovated units in Lower Stilwell (334 units) and all of Marshall Park (353 units) will be rented to non-military tenants and designated as occupied surplus. The rental stream from these 687 units³ will be used to service the Capmark loan and provide additional cash flow to fund IDP construction. After the IDP, the project will have the option to dispose of the unrenovated homes in the Marshall Park and Lower Stilwell neighborhoods and use the proceeds to pay down existing debt and equity and possibly invest in the out year development scope, depending on the amount of net sales proceeds ultimately received.

A post IDP breakout of unit counts and neighborhoods, by rank, is presented below.

³ Excludes 50 units to be demolished storm water collection pond scheduled to occur in the out-years.

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POST IDP BREAKOUT OF UNIT COUNTS BY NEIGHBORHOOD AND RANK

Rank Band	IDP End State Inventory	Number of Units	Population in County*	Implied Capture Rate	Current Occupancy
E1 - E4	Fitch 2B (renovated)	138			
	Lower Stilwell (renovated)	100			
	Hayes Park (new)	160			
	Historic Units (renovated)	0			
E5 - E9	Subtotal E1-E4	398	568	70%	351
	Doe Park (Kidney new) E5-E6	246			
	Pineview Townhouse (unrenovated) E5-E6	156			
	Historic Units (renovated) E5-E9	15			
O1 - O3	La Mesa (new) E7-E9	50			
	Subtotal E5-E9	472	607	78%	348
	Fitch Park (new)	213			
	La Mesa (renovated)	102			
O4 - O6	Historic Units (renovated)	10			
	Subtotal O1 - O3	325	656	50%	324
	La Mesa (new)	359			
	Historic Units (renovated)	16			
	Subtotal O4-O6	370	625	59%	334
	Total	1,565	2,456	64%	1,357

*Per DMDC - August 2008 (peak population timeframe for installations)

(b) (4)

In order to ensure that this is achievable, we have built some contingency plans and conservative assumptions into the MSP:

1. Given the current state of the capital markets (b) (4)
2. (b) (4)
3. Expense and revenue annual escalation has been assumed at (b) (4) per year each.
4. Hard cost escalation has been assumed at (b) (4) per year, which in the current economic environment, appears to be a generous assumption.

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5. Occupancy rates have been set to (b) (4) units on average per year for 2009, 2010, and 2011. For 2012 and 2013 (the final two years of the IDP), the occupancy has been set to (b) (4) or (b) (4) units. Current occupancy is (b) (4) units. Occupancy projections include military family and all waterfall tenants.
6. Proceeds from the proposed sale of occupied surplus land and market/workforce housing parcels have been assumed to occur during the out year development period.

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(b) (4)

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(b) (4)

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Construction Plan

Approximately (b) (4) has been budgeted for construction costs (hard costs) across the remaining 5 years of the IDP. The construction allowances assigned to the various neighborhoods that make up the project are presented below.

(b) (4)



New Construction

The new houses to be constructed in the Stilwell Kidney (to be renamed "General Doe Park" per the Presidio's direction), will be similar to the houses constructed at the project to date. The sizes of the units built in the Kidney will range from 1,722 square feet to 2,089 square feet. The average size will be approximately 1,785 square feet. Minor adjustments from previous phases will include increased energy efficiency in line with new California Energy Star requirements. New requirements from the Marina Coast Water District will also require that additional water-conserving fixtures be installed (e.g., 1.3 gallons per flush toilets rather than the 1.6 gallons per flush commodes that have been installed to date).

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Stilwell Kidney Phasing Diagram

(b) (4)



Two hundred and forty-six (246) new units are planned for construction in two phases (1A and 1B), which have capacity for 299 total units. (b) (4)

(b) (4). The construction of an additional thirty-eight (38) units during the IDP, bringing the total unit count to two hundred and eighty-four (284), in the Stilwell Kidney neighborhood will be contingent upon the availability of funds. The intent is to build these additional 38 units as an option to the construction contract in order to ensure the ease of execution and favorable pricing.

As part of the Kidney construction activities, Clark will endeavor to get lender approval to allow for the 10 new playgrounds budgeted at total cost of (b) (4) in this MSP to be constructed across the existing neighborhoods throughout the project.

The 50 new homes programmed at La Mesa Village will also range from 1,722 square feet to 2,089 square feet and will be comprised of the same floor plans and facades that have been constructed already throughout La Mesa Village.

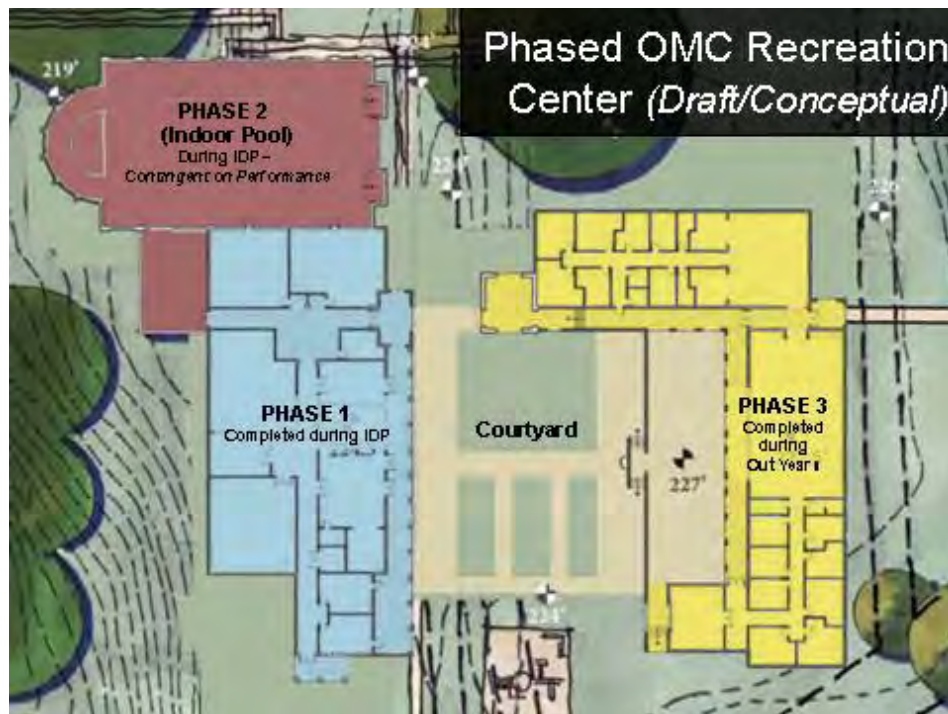
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Proposed Location of the OMC Recreation Center



Conceptual Rendering of the OMC Recreation Center



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Recreation Center

One 7000 square foot recreation center to be constructed starting 2011 (shown as Phase I in the previous page). If the project NOI has not met the final MSP pro forma by June 2010, commencement of construction will require DARCI approval. Phase II (subject to DARCI approval) will include an indoor swimming pool and is also anticipated to occur during the IDP. Phase III of the recreation center is also anticipated in the out-years, subject DARCI approval.

7,000 Sq. Ft. Phase I includes:

- Entry & Lobby
- Leasing Office
- Cardio Room
- Weights Room
- Children's Play Room
- Multi-Purpose Room
- Conference Room
- Men's & Women's Locker Rooms
- Kitchen
- Storage
- Arcade
- Rest Rooms
- Porch

Renovations

Historic renovations will continue at the Presidio and the Naval Postgraduate School at approximately (b) (4). The historic renovation costs are running approximately \$ (b) (4) per unit than budgeted during the CDMP, due to the extensive dry rot, termite damage, and other structural decay that was found in the homes as work began in 2005.

Non-historic renovation scope will vary based on unit types and neighborhoods. Lower Stilwell Park (a junior enlisted neighborhood) and Fitch 2B, will receive extensive renovations, at (b) (4) per unit and (b) (4) per unit respectively. These per unit budgets will most likely include:

- New kitchen open to the living room
- Relocated laundry room
- New light fixtures, outlets, electrical grounding
- New bathroom fixtures and finishes
- Addition of shower in 1.5 bath, 3 and 4 bedroom homes
- Master bedroom closet modification
- Enclosed carport with garage door
- New exterior paint
- New interior paint
- Landscaping and irrigation
- New backyard fencing
- Roof repairs or replacements (75% of units)
- New sliding glass doors (25% of units)

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Two test renovations were conducted in Lower Stilwell as part of the MSP development process. The completed units were toured by numerous military families in order to get their feedback. Several senior enlisted spouses that they would gladly surrender their senior enlisted BAH in return for the opportunity to live in the renovated units that will be designated for junior enlisted families. Furthermore, several Army officials from D.C. toured the units and were very impressed with the renovations and quality of the housing.



The following tables show the detailed break out of the planned renovations on each unit type in each neighborhood and a detailed scope of work of the Lower Stilwell renovation. The development plan contains drawings illustrating the renovations.

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Renovation Matrix

Capehart Forest, La Mesa Village							
Unit	Sq Ft	Bdrm	Bthrm	Type	Key Scope Items	Comments	# of Uni
M	932	2	1	Duplex	Heavy turn	Foreign Military Student (FMS) units.	4
N	1,064	3	2	Duplex	Enclose the back patio into a study/ Jr. bedroom with a small closet. Add sliders to living room. New Patio. Privacy wall between carports. Freestanding storage shed in back yard. Miscellaneous improvements.	Will become a 4 bdrm / 2 bath with addition of 90 SF.	36
P	1,247	4	2	Single	Add storage shed and miscellaneous improvements		6
Total/Avg							46
Terrace Oaks, La Mesa Village							
Unit	Sq Ft	Bdrm	Bthrm	Type	Key Scope Items	Comments	# of Uni
G	1,010	2	1	Single	Heavy turn	Foreign Military Student (FMS) units.	15
F	1,089	3	1	Duplex	Heavy turn	Foreign Military Student (FMS) units.	8
H	1,205	3	1.5	Single	Convert existing storage room to master bath, add freestanding storage shed.	Will become a 3 bdrm / 2.5 bath unit.	9
L	1,205	3	1.5	Duplex	Convert existing storage room to master bath, add freestanding storage shed.	Will become a 3 bdrm / 2.5 bath unit.	4
K-3	1,255	3	2	Duplex	Add storage shed and miscellaneous improvements.		8
K-4	1,298	4	2	Duplex	Add storage shed and miscellaneous improvements.		12
Total/Avg							56
Lower Stilwell Park, Ord Military Community							
Unit	Sq Ft	Bdrm	Bthrm	Type	Key Scope Items	Comments	# of Uni
2N	1,173	2	1	Duplex	Comprehensive unit upgrades.		2
N2D/N2DF	1,173	2	1	Duplex	Comprehensive unit upgrades.	18 units will become 9 4br units.	18
3N	1,275	3	1.5	Duplex	Comprehensive unit upgrades, add shower to half bath.	Will become a 3 bdrm / 2 bath unit.	32
N3D	1,275	3	1.5	Duplex	Comprehensive unit upgrades, add shower to half bath.	Will become a 3 bdrm / 2 bath unit.	56
Total/Avg							108
Fitch 2B, Ord Military Community							
Unit	Sq Ft	Bdrm	Bthrm	Type	Key Scope Items	Comments	# of Uni
	1,422	2	1	Single	Comprehensive unit upgrades.		1
	1,422	2	1	Duplex	Comprehensive unit upgrades.		30
	1,436	3	1	Single	Comprehensive unit upgrades.		12
	1,436	3	1	Duplex	Comprehensive unit upgrades.		76
	1,550	3	2	Single	Comprehensive unit upgrades, add shower to half bath.		6
	1,513	4	1.5	Single	Comprehensive unit upgrades, add shower to half bath.		12
	1,566	4	2	Single	Comprehensive unit upgrades, add shower to half bath.		1
Total/Avg							138

Renovation Scope for Lower Stilwell and Fitch 2B -- Lower Enlisted Neighborhoods.

(b) (4)
238 3-Bedroom and 4-Bedroom Duplex Units

EXTERIOR	DESCRIPTION
Hazmat assessment/abatement	Hazardous material testing, workplan generation, required abatement work.
New asphalt shingle roof and gutters	Remove existing roof as required and place 30-year asphalt shingle roof. No framing work.
Exterior paint	Complete repaint of exterior with elastomeric. Two colors, body and trim required. Includes exterior doors and carports.
Sidewalk repairs	Demo, remove, and replace broken or heaved sidewalk as required (100 s.f. average).
New backyard fence	Remove 150' of wood fence; add 150' of new wood fence.
Front yard landscaping	200 sf of planting bed with irrigation and one 24 x 24 box tree.
Enclosed 1-car garage with exterior storage	Enclose single carport with framing and stucco. Add garage and mandoor.
INTERIOR	DESCRIPTION
Kitchen replacement (with opening to living room)	Same appliance and sink layout. New appliances and cabinets. Removes full wall with countertop shelf. Same specs as new home kitchens and appliances.
Interior storage conversion to laundry room	75% of units: Move laundry to storage room with requisite plumbing and electrical work. 25% of units, create laundry closet in kitchen area.
Bathroom replacement	Replace the full bathroom finishes, including all plumbing fixtures.
Half bath conversion to full bath	Add shower to existing half bath, replace the full bathroom finishes, including all plumbing fixtures.
Refinished wood floors	If hardwood damaged beyond repair/refinishing, carpet and pad in lieu (850 sf avg.)
New vinyl flooring in kitchen, baths, & storage	400 sf avg.
Interior paint	2 coats, paint all drywall, doors and trim, semigloss finish.
New electrical finishes	Remove and replace all light fixtures, switches, outlets, add 2 designated circuits to panel.
Ground electrical system	Drive ground rod and connect to panel; run ground wire to all fixtures and devices. Cost includes drywall repair.
New blinds	Remove existing and replace with new.
New doors, trim, hardware	Remove and replace all doors, including closets and exterior, install toilet accessories, includes hardware.
New sliding glass door	25% of units as necessary, replace existing sliding glass door with new double pane door. Includes removal of existing.
Add interior shelving to storage room and/or laundry room	White, wire shelving system

Note: An additional 18 duplexes in Lower Stilwell will be combined and converted into 9 single family residences with 4+ bedrooms each. Renovation scope will be similar to 3 BR and 4 BR renovations, plus the appropriate floorplan adjustments. Hard cost allowance is \$ (b) (4) for each of the 9 resulting units.

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DEVELOPMENT PLAN**1. Development Overview**

With the implementation of the proposed Modified Scope Plan for the Presidio of Monterey/Naval Postgraduate School (POM / NPS) RCI project, at the end of the IDP the project will have completed:

- Construction of 1,028 new homes
- Renovation of 41 historic homes
- Renovation of 340 existing homes
- 156 unrenovated units redesignated from officer to enlisted
1,565 total units

The scope differences between the original CDMP and the proposed MSP are illustrated in the table below.

	New	Historic Renovation	Renovation	Unrenovated	Total	Occupied Surplus
Original CDMP	2,168	41	0	0	2,209	0
MSP	1,028	41	340	156	1,565	737
Difference	-1,140	0	340	156	-644	737

By the end of the IDP, most of the military housing areas will have new or renovated homes and will be more functional, attractive, and livable communities. Included in the revitalization of the neighborhoods is the addition of a recreation center and tot lots. The table below provides a comparison between the amenities included in the closing documents and those included in the MSP.

COMMUNITY FACILITIES				
HOUSING AREA	FACILITY	CLOSING	MSP	DELTA
La Mesa	Tot Lots & Playgrounds	17	18	1
	Baseball Fields	1	0	-1
	BMX Track	1	1	0
	Soccer Fields	2	2	0
	Tennis Courts	5	4	-1
	Basketball Courts	2	1	-1
	Community/Rec Centers	1	1	0
	Neighborhood Centers	1	0	-1
	Picnic Shelters	1	0	-1
OMC	Tot Lots & Playgrounds	45	27	-18
	Baseball Fields	3	0	-3
	Soccer Fields	3	3	0
	Tennis Courts	15	5	-10
	Basketball Courts	7	3	-4
	Clubhouse	1	1	0
	Town Hall	1	0	-1
	Neighborhood Centers	3	2	-1
	Picnic Shelters	3	0	-3

As part of the project, Monterey Bay Land (MBL) will conduct an Out-Year Development Plan for ongoing revitalization through construction of additional amenities and systematic renovation and replacement of existing structures.

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2. Master Planning

Since the installations had no materially vacant land available for new housing, all proposed new housing in the CDMP was planned to replace existing houses in existing neighborhoods using (for the most part) the existing street networks. As the project shifts from housing replacement to a combination of new housing and renovations per the MSP, the existing neighborhoods, La Mesa Cliffs (the planned new neighborhood in La Mesa Village), and circulation patterns will remain primarily the same as had been planned in the CDMP. Master planning changes associated with the MSP are limited to the Ord Military Community and include:

1. *The addition of the Kidney property to the ground lease:* The kidney property has been an eyesore, security risk, and a leasing detriment since the start of the project. The property is centrally located adjacent to the commissary, PX, community center and other military amenities. Replacement of the 400 blighted homes with new military rental units will provide cohesion and consistency among the military neighborhoods and transform the Ord Military community from a master planning perspective.

2. *The future disposition of Upper Stilwell and Lower Fitch Parks for the workforce housing project:* Clark Pinnacle, the RCI office, and leadership at the Presidio and the Naval Postgraduate School worked together to select the most appropriate location for the properties to be removed from the Ground Lease and sold for purposes of developing the much needed DoD workforce houses. After considering several options, Lower Fitch and Upper Stilwell were selected as the most appropriate properties to remove from the Ground Lease. Primarily, the properties were chosen because they are adjacent to property owned by the City of Seaside where a major golf hotel, resort, and residential community have been planned. With 500 hotel/timeshare units and 125 private residents expected in the near future (construction has begun on the residential lots and hotel construction is expected to begin later in 2008), houses that would eventually be owned by DoD civilians seemed like the most appropriate buffer between military and civilian uses – particularly since there is no force protection fencing or secure perimeter surrounding Ord Military Community. This plan will be revisited in 2010.

3. (b) (4)

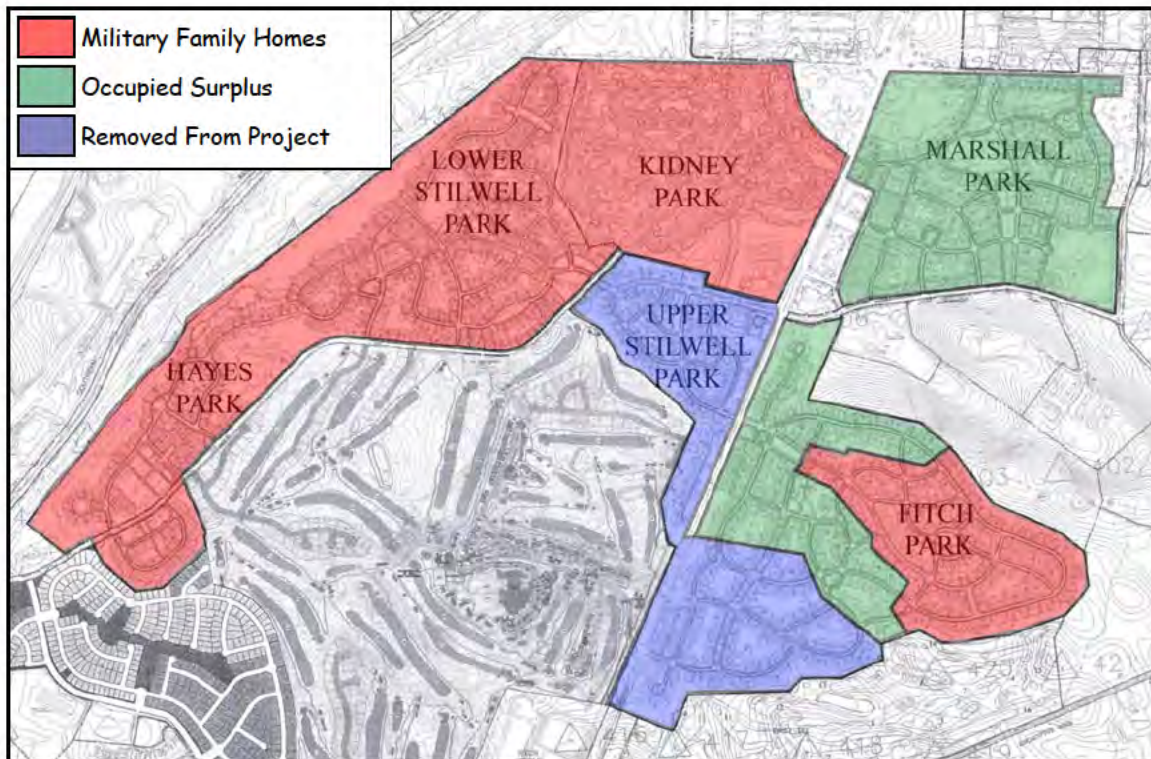
3. *Reduction of playgrounds and ball fields:* Due to financial constraints and in proportion to the reduction in the end state housing requirement, the MSP does not call for as many playgrounds, tennis courts, basketball courts, and baseball fields as contemplated by the CDMP. However, all neighborhoods (other than the Occupied Surplus neighborhoods) will have new playgrounds, clubhouses/recreation centers, and/or ball fields. Additional amenities may be constructed during the Out-Years of the project.

The following maps illustrate the locations of the military family rental homes in Ord Military Community during the IDP and the Out-Years.

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Ord Military Community During the IDP

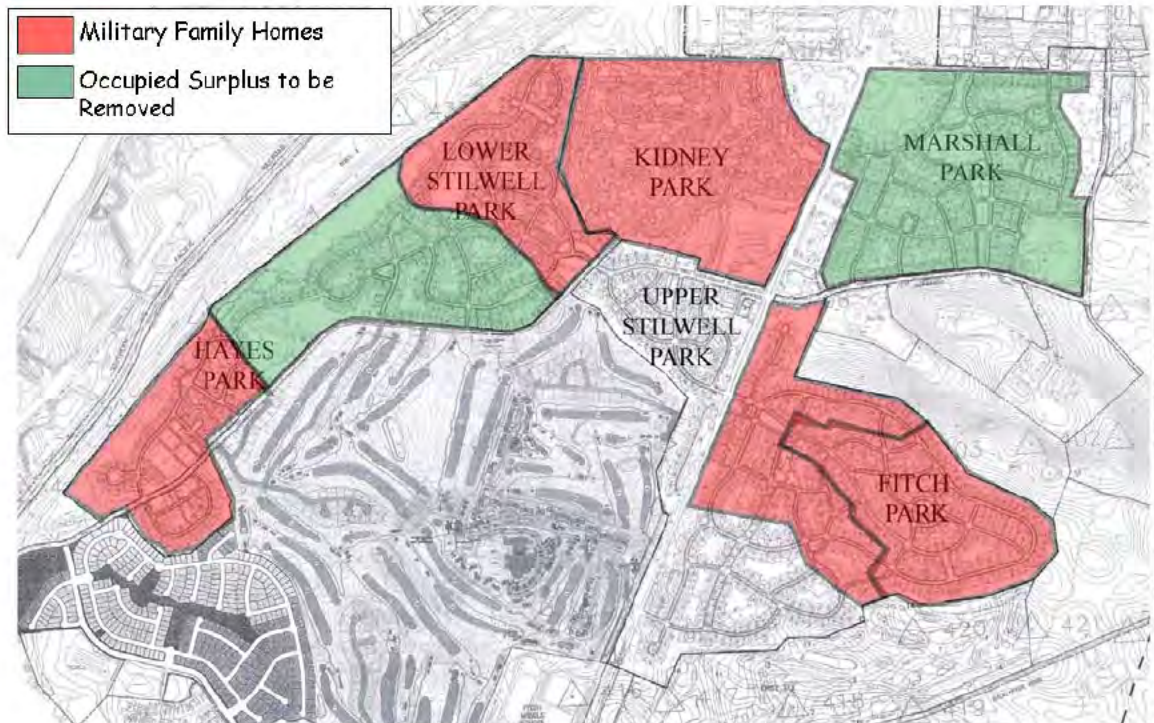


The MSP takes into account the demand for active duty military family housing that the project has experienced to date. Our proposed end-state housing inventory for active duty military families is 1,565 homes. We are therefore disregarding the most recent HMA update (December 2007), which we believe incorrectly assessed the demand for military housing in 2012 to be 2,516 units. As the new homes in the Kidney and the renovated homes in the Lower Stilwell and Fitch 2B come on-line during the IDP, the non-military tenant base will shift to the Marshall Park and the unrenovated portion of the Lower Stilwell neighborhoods (737 units) (b) (4)

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Ord Military Community During the Out-Years (after Fitch 2B has been renovated)



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4. Initial Development Plan

The MSP proposes to complete the IDP as illustrated in the following table:

End of IDP

ORD MILITARY COMMUNITY	Beginning of IDP	New Completed	New	Demolish / Remove from MBMH	Existing to be Renovated	Total
Hayes Park	174	160	0	0	0	160
Fitch Park	452	213	0	313	138	352
Upper Stilwell Park	109	0	0	109	0	0
Marshall Park	353	0	0	0	0	353
Lower Stilwell Park	500	0	0	17	100	483
"The Kidney"	0	0	246	0	0	246
TOTAL	1,588	373	246	439	238	1,594

LA MESA VILLAGE	Beginning of IDP	New Completed	New	Demolish / Remove from MBMH	Existing to be Renovated	Total
La Mesa Village Phase 1 (Wherry Grove)	41	90	0	0	0	90
La Mesa Village Phase 2 (Wherry Grove)	68	144	0	0	0	144
La Mesa Village Phase 3 (portion of Capehart Forest)	104	125	0	0	0	125
Capehart Forest	46	0	0	0	46	46
Terrace Oaks	56	0	0	0	56	56
La Mesa Cliffs	118	0	50	118	0	50
PineView Townhouses	156	0	0	0	0	156
TOTAL	589	359	50	118	102	667

HISTORIC HOMES & POM APTS.	Beginning of IDP	Renovation Completed	New	Demolish / Remove from MBMH	Existing to be Renovated	Total
POM historic	37	24	0	0	13	37
POM apartments	50	0	0	50	0	0
NPS	4	1	0	0	3	4
TOTAL	91	25	0	50	16	41

MONTEREY BAY MILITARY HOUSING	Beginning of IDP	New / Renovation Completed	New	Demolish / Remove from MBMH	Existing to be Renovated	Total
TOTAL	2,268	757	296	607	356	2,302



New Housing Neighborhoods in the POM/NPS RCI Project

MODIFIED SCOPE PLAN

October 2008

IDP Summary

Location	Beginning of IDP	New / Historic Reno. Completed	PROPOSED MSP PLAN			Total
			New	Demolish / Remove from MBMH	Existing to be Renovated	
Ord Military Community	1,588	373	246	439	238	1,594
La Mesa Village	589	359	50	118	102	667
Historic Homes & POM Apts.	91	25	0	50	16	41
TOTAL	2,268	757	296	607	356	2,302

NON-MILITARY RENTAL	Total
Lower Stilwell (Unrenovated portion)	384
Marshall Park	353
TOTAL	737

The following chart summarizes the anticipated timing of development for the entire IDP as proposed in the Modified Scope Plan. New construction in the Out-Years has been prioritized for neighborhoods that only get renovated in the IDP.

MODIFIED SCOPE PLAN

October 2008

(b) (4)



MODIFIED SCOPE PLAN

October 2008

The following chart illustrates the original CDMP development plan.

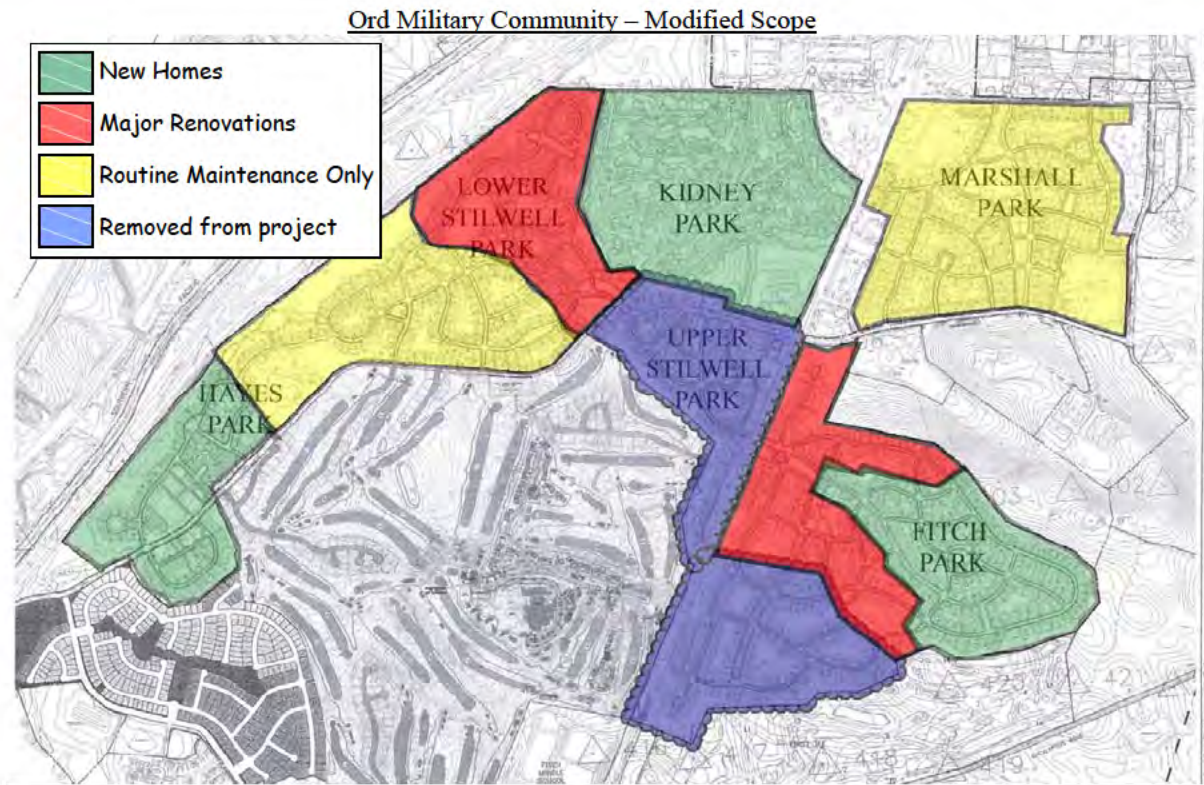
(b) (4)



MODIFIED SCOPE PLAN

October 2008

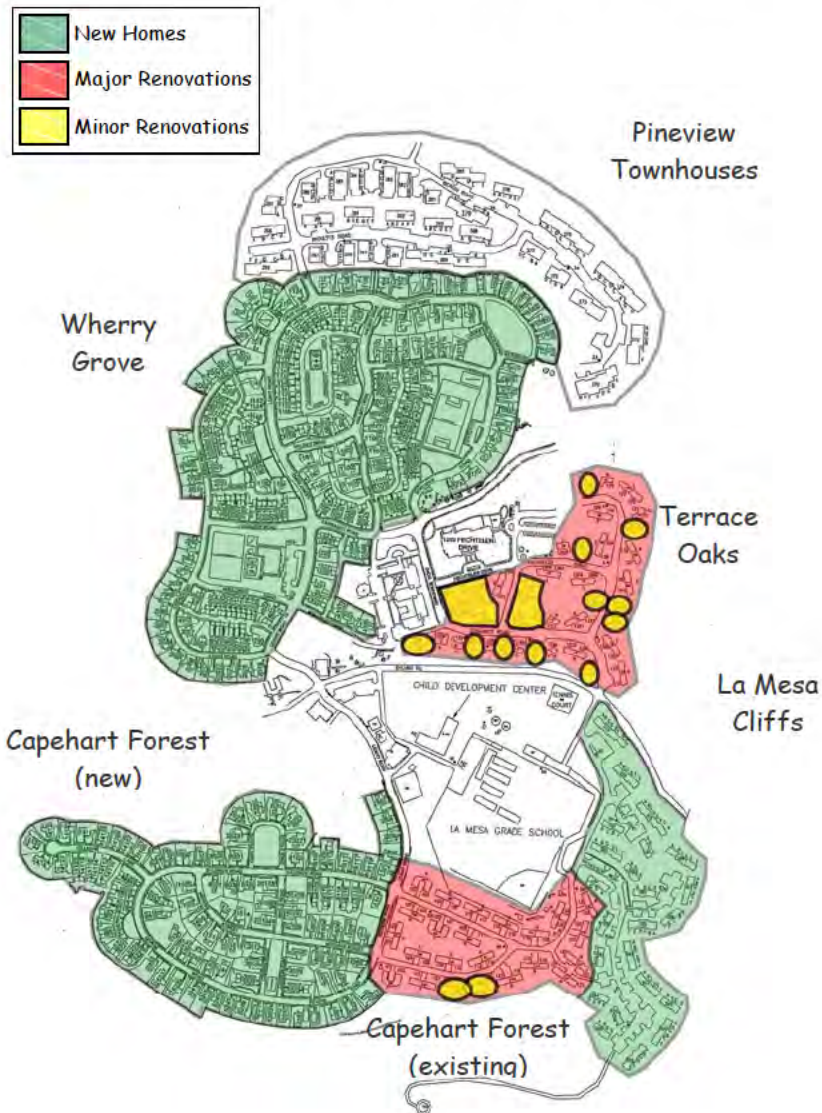
The following colored site plans illustrate the MSP locations of renovated and new homes after the IDP in Ord Military Community and La Mesa Village.



MODIFIED SCOPE PLAN

October 2008

La Mesa Village – Modified Scope



New homes and major renovation homes in La Mesa Village will be occupied by US Officers who pay US BAH or US BAH equivalent.

MODIFIED SCOPE PLAN

October 2008

Lower Stilwell and Fitch 2B Comprehensive Unit Upgrades

EXTERIOR
Hazardous material testing and abatement
New asphalt shingle roof and gutters on 75% of units
Exterior paint
Sidewalk repairs
New backyard fence
Front yard landscaping
Enclosed garage
INTERIOR
New open kitchen
New laundry room
Renovation/Replacement of existing bathrooms
New vinyl flooring in kitchen, baths, & storage
New carpet or refinished hardwood flooring
Interior paint
New electrical finishes
Grounded electrical system
New blinds
New finish hardware
New sliding glass door on 25% of units

MODIFIED SCOPE PLAN

October 2008

Unit N, Capehart Forest, La Mesa Village

Scheduled Renovations:

- Enclose the back patio into a study/ junior bedroom
- New patio
-

(b) (4)



MODIFIED SCOPE PLAN

October 2008

Unit H, Terrace Oaks, La Mesa Village

Scheduled Renovations:

- Conversion of existing storage to master bathroom
- Storage shed

(b) (4)



MODIFIED SCOPE PLAN

October 2008

Unit L, Terrace Oaks, La Mesa Village

Scheduled Renovations:

- Conversion of existing storage to master bathroom
- Storage shed

(b) (4)



MODIFIED SCOPE PLAN

October 2008

Unit 3N, Lower Stilwell Park, Ord Military Community

Scheduled Renovations:

- Shower addition to half bathroom
- Comprehensive unit upgrades
- Enclosed garage with garage door

(b) (4)



MODIFIED SCOPE PLAN

October 2008

Unit N3D, Lower Stilwell Park, Ord Military Community

Scheduled Renovations:

- Shower addition to half bathroom
- Comprehensive unit upgrades
- Enclosed garage with garage door

(b) (4)



MODIFIED SCOPE PLAN

October 2008

Unit N4, Lower Stilwell Park, Ord Military Community

Scheduled Renovations:

- Bathtub or shower addition to half bathroom
- Comprehensive unit upgrades

(b) (4)



MODIFIED SCOPE PLAN

October 2008

4. Out-Year Development Plan

The original CDMP Out-Year plan included renovations to each home (b) (4)

The MSP Out-Year plan includes replacement of all non-historic existing units remaining, with the priority for replacement given to the existing homes that received the least renovations dollars during the IDP. In addition, the second phase of the Kidney – approximately 95 homes – will be constructed (b) (4). In addition, the 100 units in Lower Stilwell Park, which were renovated during the IDP, will be demolished and replaced with 100 new homes (b) (4). During this phase of construction, 50 homes in Lower Stilwell Park are also scheduled to be demolished (b) (4) to create room for a storm water management pond that will collect the storm water currently released into Monterey Bay.

156 units Pineview Townhouses are scheduled to be demolished and will be replaced with 61 new townhomes between (b) (4). Pineview homes will have received the least amount of renovations during the IDP. The Fitch 2B neighborhood and (138 units) and La Mesa Village single family and duplex homes (Terrace Oaks and Capehart Forest- 102 units) that received major renovations during the IDP will be replaced between (b) (4).

During the Out-Years, each new home constructed during the IDP and the historic homes will receive a major renovation valued at approximately (b) (4). The recreation centers, tot lots, and other amenities will be renovated during the renovation cycle of the respective neighborhoods (for example the amenities in Hayes Park will be renovated when the homes in Hayes Park are renovated).

It is important to recognize that our out-year redevelopment program is in addition to Pinnacle's Property Management Plan that provides for the replacement of items (carpet, tile, appliances, etc.) that have economic lives less than 10 years as well as complete unit make-ready procedures that are implemented each time a home changes occupancy. Pinnacle's make-ready procedures ensure that paint, carpet and all the components in each home are maintained to meet our exacting standards for quality.

(b) (4)

MODIFIED SCOPE PLAN

October 2008

5. Construction Plan

Presented on the next page is a breakdown of construction costs, by phase, which the project has incurred to date.

MODIFIED SCOPE PLAN

October 2008

(b) (4)



MODIFIED SCOPE PLAN

October 2008

(b) (4)



MODIFIED SCOPE PLAN

October 2008

Total development costs going forward in order to deliver the MSP are projected to be (b) (4) and are presented in the tables that follow.

Hard Costs Going Forward

New Construction

Neighborhood	# of Units	Cost Per Unit	Total
Demo (400 units) and New Construction (246 units) of Kidney Units	246	(b) (4)	
Demo (118 units) and New Construction (50 units) of La Mesa Cliffs	50		
Demo of POM Apartments	50		
Total			

Renovation

Neighborhood	# of Units
Lower Stilwell Junior Enlisted 3 & 4 BR	100
La Mesa Village Singles & Duplexes	102
Fitch 2B Junior Enlisted Conversion from Officer Units	138
Remaining Historic Renovations	16
Subtotal Renovation	356

Amenities

Category	# of Units
Clubhouse	1
New Tot Lots	10
Subtotal	

Subtotal	
Hard Cost Escalation	

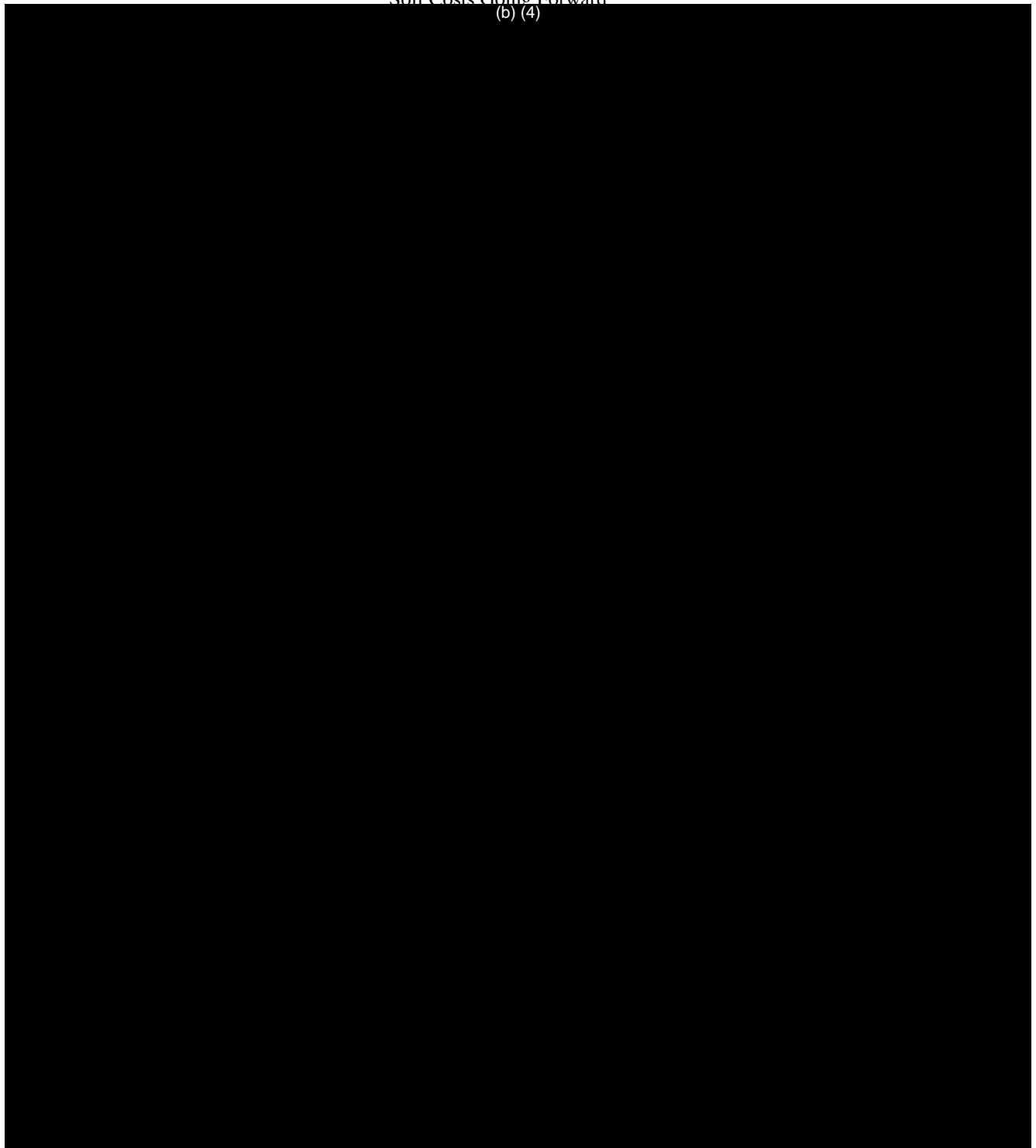
Project Total	
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MODIFIED SCOPE PLAN

October 2008

The MSP IDP soft costs (in current dollars) are budgeted to be (b) (4). The following table shows the breakdown of soft costs.

Soft Costs Going Forward
(b) (4)



MODIFIED SCOPE PLAN

October 2008

Construction Phasing Schedule

The Unit Inventory Schedule below illustrates the construction schedule of each phase. The unit delivery schedule assumes late-2008 MSP approval. If MSP approval is delayed, the schedule will be adjusted accordingly. The schedule will be used for the sake of the development incentive determination.

Modified Scope Plan – Initial Development Period

(b) (4)

Kidney (General Doe Park) New Unit Construction

The Kidney property was not originally included in the project's CDMP, but has been added as part of the land swap with the City of Seaside, the Army, and Monterey Bay Land LLC. The Stilwell Kidney property is 100 acres of land that currently contains 400 blighted, abandoned former military houses that were transferred to the City of Seaside as part of the closure of Fort Ord in the 1990s. MBL plans to demolish the 400 abandoned units and build 246 new military homes in their place (b) (4)

These phases will not require relocation of any families and is scheduled to be completed by (b) (4)
These new homes will house accompanied senior enlisted personnel (E5-E7) and possibly accompanied junior officer personnel (O1-O3).

Demolition of POM Apartments

As originally contemplated in the CDMP but delayed by three years, the 50 apartment units at the Presidio of Monterey will be demolished in 2009 to create room for additional Defense Language Institute facilities.

Disposition of Upper Stilwell and Lower Fitch

(b) (4)

Capehart Forest and Terrace Oaks Renovations

The existing singles and duplexes in Capehart Forest and Terrace Oaks at La Mesa Village are scheduled to receive renovations from 2010 to 2013.

Lower Stilwell Park Renovations

One hundred (100) homes in Lower Stilwell Park will undergo major renovations instead of the proposed new construction of four hundred and sixty seven (467) homes as per the CDMP. Upon completion, these renovated homes will be designated as homes for accompanied junior enlisted personnel (E1-E4). These homes were selected based on their adjacency to the Kidney (General Doe Park) neighborhood which will be newly built homes.

MODIFIED SCOPE PLAN

October 2008

Fitch 2B Renovations

One hundred and thirty-eight (138) homes in Fitch 2B will undergo major renovations. Upon completion of the renovations, the neighborhood will be redesignated from officer housing to homes for accompanied junior enlisted personnel (E1-E4).

La Mesa Cliffs

The 118 townhomes in La Mesa Cliffs are scheduled to be demolished and replaced with 50 new homes to be delivered at the end of the IDP.

Historic Renovations

Monterey Bay Land will continue renovating the 37 historic homes at POM and the 4 historic homes at NPS. These homes are renovated as they are vacated following the reassignment or permanent change of station (PCS) of the resident families. The final historic renovation should be completed in 2012.

MODIFIED SCOPE PLAN

October 2008

Structure of the Construction Agreement

The MSP does not require any change to the structure of the existing construction agreement. The terms and conditions of the existing agreement have been utilized without modification from closing to the current date. The Contractor has met the conditions and all parties have found the structure and performance to be mutually agreeable.

New Construction in the Stilwell Kidney Property and La Mesa Village

The MSP anticipates construction of new homes and amenities within the newly added Kidney property and the new homes in La Mesa Village. This scope modification does not require a change in the construction agreement terms or conditions. The existing agreement includes phased replacement of the project housing inventory with new construction of homes performed via future alternates. The demolition and new construction of homes in the Kidney and La Mesa Village represent a modification of the phased future alternate neighborhood location. The construction means and methodology remain largely the same to produce amenities and new homes that are substantially the same as those included in the existing agreement.

The future alternates shall be amended for the scope performance in the Kidney neighborhood and performed per the agreement as directed by Monterey Bay Land. A GMP will be established for Phases I and II of the Kidney and the new units in La Mesa Village based on the defined scope. The GMP value of each future alternate for subsequent phases will be established as Monterey Bay Land defines the scope and start date. Each GMP will be based on market conditions present at execution with no RS Means escalation factor required.

Renovations and Community Center

The CDMP master plan and construction agreement included phased replacement of La Mesa and Ord Military Community homes with new construction as well as renovation of homes located at POM and NPS. The MSP anticipates renovation of select La Mesa and Ord Military Community neighborhoods rather than replacement and the construction of a recreation center as outlined previously in this document. This scope modification does not require a change in the construction agreement terms or conditions and will be handled as an allowance to the contract, whereby the general contractor will not be able to share in any potential cost savings. Provisions for renovation were included in the existing agreement and will be utilized to establish the terms and conditions for the new renovations. The agreement established future alternates for the phased construction scope inclusive of these neighborhoods. These future alternates shall be amended from the replacement/new construction scope to the renovation scope and performed per the agreement as directed by Monterey Bay Land.

MODIFIED SCOPE PLAN

October 2008

Infrastructure Strategy

The water and sewer infrastructure in Ord Military Community is owned and maintained by the Marina Coast Water District (MCWD). The project, in conjunction with MCWD, performed an extensive condition assessment of the existing wet utility infrastructure in the Kidney (the only new construction phase in the MSP). Using the results of the condition assessment, the project is designing the civil engineering plans, which require final approval from MCWD, accordingly.

Where new houses are to be constructed on roads that previously did not exist in the Kidney, new sanitary sewer mains and new potable water mains will be designed and constructed per MCWD's standards to service homes located on the new roads. Individual water meters and new laterals will also be installed at all new homes. The project will not replace, but will make improvements to the existing sanitary and sewer mains in the roads that will remain in the new Kidney site plan.

The project will install new underground dry utility infrastructure in the Kidney to supply gas, power, cable, and phone service to the new homes.

6. Project Drawings

Project construction drawings for the new Kidney units are nearing completion and progress plan sets are available upon request. The new houses to be constructed in the Stilwell Kidney (to be renamed "General Doe Park"), will be similar to the houses constructed at the project to date. The sizes of the units built in the Kidney will range from 1,722 square feet to 2,089 square feet. The average size will be approx 1,785 square feet. Minor adjustments from previous phases will include increased energy efficiency in line with new California Energy Star requirements. New requirements from the Marina Coast Water District will also require that additional water-conserving fixtures are installed (e.g., 1.3 gallons per flush toilets rather than the 1.6 gallons per flush commodes that have been installed to date).

7. Technical Specifications

The technical specification for the new houses are unchanged, other than mechanical, electrical, and plumbing changes due to new Energy Star and MCWD requirements. Minor other adjustments have been made (e.g., flooring materials) based on input from current residents of new houses built to date. Technical specifications for the proposed renovations will be developed upon approval of the MSP.

8. Environmental Reports

All environmental documentation required for the MSP is complete to the best of Clark's knowledge.

MODIFIED SCOPE PLAN

October 2008

LEGAL AND GOVERNANCE PLAN

No changes are proposed for the legal and governance structure other than adjustments to the Ground Lease to accommodate the proposed land transfers. New entities are proposed to facilitate the DoD workforce housing project and to ensure that funds generated by the project can be reinvested into the RCI project. Descriptions of the proposed entities and an organizational chart are included in the DoD Workforce Housing chapter.

MODIFIED SCOPE PLAN

October 2008

PROPERTY MANAGEMENT AND OPERATIONS PLAN

Presented below is a comparison of actual operating expenses incurred in 2007 compared to the expenses for 2007 as originally budgeted in the closing pro forma. (b) (4)

(b) (4)

Operating Expenses Comparison Table

	CDMP Pro Forma		Actual		Difference	
	Total	Per Unit	Total	Per Unit	Total	Per Unit
	2007	2007	2007	2007	2007	2007
Average Units On Line	(b) (4)					
<u>EXPENSES</u>						
Total Salaries & Personnel						
Total Administrative Expenses						
Total Marketing Expense						
Total Repairs & Maintenance						
Total Cleaning & Decorating Expense						
Total Contract Services						
Total Utilities						
Hazard Insurance						
Renter's & Liability Insurance						
Total Base Management Fee						
Total Operating Expenses						

Customer satisfaction has been a tremendous challenge that the partnership has been collectively working to improve upon over the past several years. Efforts to increase satisfaction that have resulted in cost increases as compared to the original project plan include:

- Lawn mowing of all front and side yards by the property manager, which was not originally included in the CDMP.
- Decentralized management offices versus a single centralized office increased the quantity of management personnel so that each individual neighborhood has a management office whose staff can provide more customized and personalized services to neighborhood residents.

Changes that have reduced costs include a reduction in organized social events and community parties that had been contemplated to occur on a frequent basis throughout each year.

Capital Repair and Replacements

The project closed with (b) (4) for capital repair and deferred maintenance. (b) (4)

MODIFIED SCOPE PLAN

October 2008

(b) (4)

As part of the MSP budget, (b) (4) for capital repairs and deferred maintenance, which is expected to provide adequate funding for anticipated and unanticipated capital repairs throughout the remainder of the IDP.

MODIFIED SCOPE PLAN

October 2008

WORKFORCE HOUSING PLAN

Introduction and Legal and Governance.

As part of the MSP, two neighborhoods are scheduled to be disposed of after construction of the 246 Kidney units is complete. Given the state of the housing market, the global financial system, and the U.S. economy, it is very difficult to predict the value of the property and the timing in which a sale could occur.

(b) (4) The partners will re-examine the feasibility of this plan in June 2010 and in the interim the project will coordinate site planning activities to maximize the value and marketability of the properties. While the Army can select whichever developer with whom it can reach terms, selecting Clark is not precluded. DA RCI has requested that special attention be paid to the proposed transaction to ensure that proceeds from the sale of the properties from the DoD workforce housing project for reinvestment in the RCI project. The attached organization charts have been reviewed and approved by Clark and MBMH's attorneys and tax counsel. The charts show the relationships between the existing Monterey RCI project entities and new entities proposed to effectuate both (i) the construction and sale of the DoD Workforce Housing Project through an entity unrelated to the Army, and (ii) the availability of maximum proceeds derived from the sale of such units for use to build additional military family housing units associated with the RCI project. Specifically, proceeds from DoD Workforce Housing Project will be directed to a new holding company called MBL2. MBL2 will be wholly owned by the Army (as is MBL), so the proceeds paid to MBL2 will be exempt from taxation. In addition, these proceeds will be unencumbered by any liens in favor of the bondholders. In conformance with MHPI requirements, and consistent with the structure of the existing RCI Project, it is anticipated that MBL2 will loan these proceeds to MBMH2 (a new private entity formed in a manner similar to MBMH), and MBMH2 will use the proceeds to build as many new houses as possible on the balance of the Kidney. More details are presented below that demonstrate how the property transfers must be structured in order to ensure the successful execution of the project.

Land Exchange Process

Step #1:

Kidney is divided into two parcels, Parcel 1 and Parcel 2. Both Parcel 1 and Parcel 2 are initially leased to MBL. MBL subleases both parcels to MBMH. MBMH demolishes all 400 abandoned units across both parcels and builds 246 new RCI units on Kidney Parcel 1.

Explanation: MBL must not be required to release income-producing units from the lien in favor of the bondholders until and unless replacement income-producing units are in place. Kidney Parcel 2 must initially come into the RCI Project so that Project funds can be used to demolish the existing improvements on this parcel. Funds expended for this demolition and construction work on the Kidney parcels is done in lieu of work originally contemplated for the Upper Stilwell and Lower Fitch parcels.

Step #2:

New Army holding company is formed ("MBL2").

- Upon completion of Step #1, Upper Stilwell and Lower Fitch are released from the MBL Ground Lease and transferred by the Army, in fee simple, to MBL2.
- Parcel 2 of Kidney (the portion not yet built out) is released from the MBL Ground Lease and leased by the Army to MBL2.
- MBL2 sells Upper Stilwell and Lower Fitch to a third party.
- Sales proceeds paid to MBL2 are loaned to MBMH2 and used to build as many new homes on Parcel 2 of the Kidney as possible

MODIFIED SCOPE PLAN

October 2008

Explanation: New entities (MBL2 and MBMH2) and proposed transaction structure ensures compliance with MHPI legislation and allows future profits of workforce housing project to get used by RCI project for military housing.

Organizational Structure Diagrams

(b) (4)



¹Ground Lease and Sublease of Kidney pursuant to written Agreement between Army, MBL and MBMH providing for release of Upper Stilwell, Lower Fitch and Kidney Part 2 from Ground Lease and Sublease upon completion of (i) demolition of all existing housing improvements on Kidney (both Part 1 and Part 2) and (ii) the construction of 246 new units on Kidney Part 1.

MODIFIED SCOPE PLAN

October 2008

(b) (4)



From: Phil Cowley <Phil.Cowley@clarkrealty.com>
Sent: Friday, April 10, 2009 4:08 PM
To: Hunter, Todd B Mr CIV USA ASA IE
Subject: MSP Draft
Attachments: Benning MSP Pro Forma Draft 1.xls; Benning First Draft MSP April 10 2009.pdf

Todd:

I hope you enjoyed Fort Irwin.

See attached:

1. First Draft MSP; and,
2. Benning MSP Pro Forma.

The pdf of the most recent Construction Draw will follow in a separate email as it is an 11mb document.

Have a good Easter weekend.

Phil

From: Phil Cowley <Phil.Cowley@clarkrealty.com>
Sent: Thursday, May 21, 2009 6:14 PM
To: Hunter, Todd B Mr CIV USA ASA IE
Cc: Hofkens, Kristy (US)
Subject: MSP Draft 2
Attachments: Benning MSP 2nd Draft FINAL.pdf

Todd:

Please see Draft 2 of the Benning MSP (attached).

Good to see you this week,

Phil

Fort Benning MSP Kick-Off Meeting



Agenda

- MSP
- Project stats and general update
- Operations
- Finance
- Timeline



FBFC Modified Scope Plan

FBFC Modified Scope Plan

1. Concept
2. Scope
3. Map
4. Christmas Tree
5. Rank Designation
6. Timeline



MSP Concept

How we plan to approach MSP:

- Renovate in lieu of new construction
- Touch all units
- Address HMA rank-mix

	<u>Closing</u>	<u>MSP</u>	<u>Delta</u>
New units	2,377	1,399	(978)
Renovations	1,562	2,540	978
"No touch"	261	261	0
Total	4,200	4,200	0

MSP Scope

How to spend remaining (b) (4) (b) (4) amenities and (b) (4) renos):

Indianhead (420 units, (b) (4)):

- 280 town homes: (b) (4) (fence, MEP, kitchens, façade, landscaping, roofs, back doors, windows)
- 140 duplexes: (b) (4) (fence, kitchen, MEP, landscaping)
- Amenities: (b) (4) (village center, pool, tot lots)

Norton (112 units, (b) (4))

- 112 town homes: (b) (4) (boilers)
- Amenities: (b) (4) (tot lots)

Perkins (172 units, (b) (4)):

- 172 duplexes: (b) (4) (roofs, MEP, fence, kitchen)
- Amenities: (b) (4) (tot lots)

Davis / Bouton (710 units, (b) (4)),
PENDING EIS:

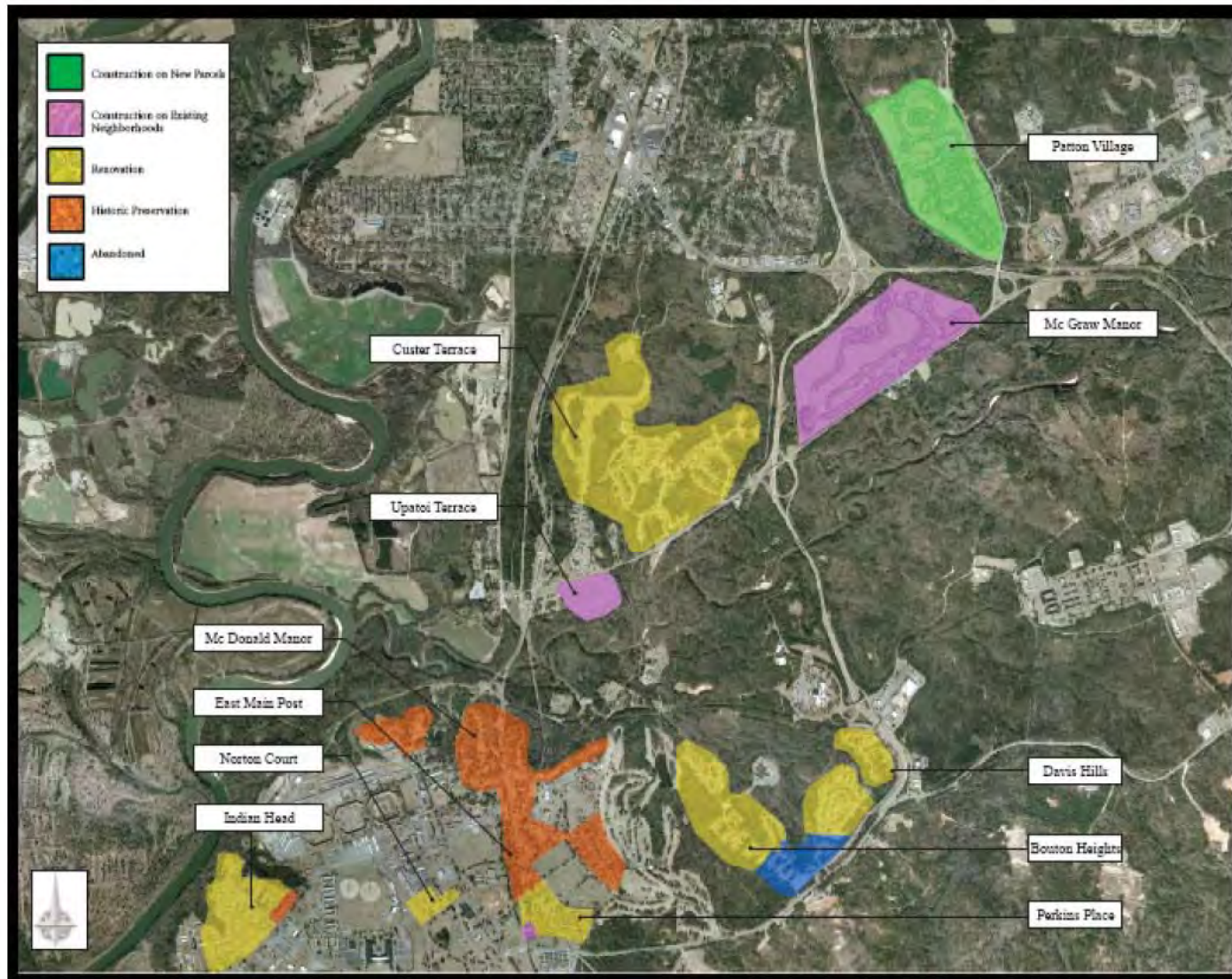
- 370 town homes (b) (4) (windows, bathroom, kitchen, fence)
- 340 duplexes (b) (4) (windows, fence)
- Amenities: (b) (4) (village center, pool, tot lots)

Custer (866 units, (b) (4)):

- 260 town homes (b) (4) (fence, MEP, kitchens, façade, landscaping, roofs, back doors, windows)
- 510 duplexes (b) (4) (fence, kitchen, MEP, landscaping)
- 96 singles (b) (4) (fence, kitchen, MEP landscaping)
- Amenities: (b) (4) (tot lots)

GOQ (2 units, (b) (4))

MSP: Map



MSP: Christmas Tree

(b) (4)



MSP Rank Designation

Current capture rates:

(b) (4) of E1 – E4 (b) (4) live off-Post)
(b) (4) of E5 – E9 (b) (4) live off-Post)
(b) (4) of O1 – O8 (b) (4) live off-Post)

Adjusting rank-mix is necessary to be competitive:

E1 – E4	Renovated Units (Custer, Bouton, Indianhead)
E5 – E9	New Units (Patton, McGraw, Upatoi)
Officers	Historic Units and Renovated Units (East Main Post and Perkins)



General Update

General Update

1. Closing stats
2. 2008 HMA Update
3. Major Decisions to Date
4. Noise Contours
5. Development update



Closing Stats

- Project closed in January 2006
- \$(b) (4) debt
- \$(b) (4) Army equity
- \$(b) (4) Clark Pinnacle Benning LLC equity
- 3,945 Army housing units conveyed (40 of which in Dahlongega)
- 4,200 unit end-state (based on 2003 HMA)
- 10 year IDP (complete in December 2015)
- Closing Scope:
 - 2,377 new houses
 - 1,290 non-historic renovated houses
 - 272 historic renovations
 - 261 no touch

(b) (4)



HMA

- Closing scope based on 2003 HMA
- Fort Benning unsuccessfully “challenged” the new, 2008 HMA
- 2008 HMA, accounts for local market conditions and BRAC
- Quantity and rank-mix change

2003				
FHMA	2Br	3Br	4Br	Total
Total	1,452	1,353	1,318	4,123
Officers	169	237	112	518
O6+	0	0	28	28
W4-O5	0	160	34	194
W1-O3	169	77	50	296
Enlisted	1,283	1,116	1,206	3,605
E7-E9	0	253	162	415
E1-E6	1,283	863	1044	3,190

2008				
FHMA	2Br	3Br	4Br	Total
Total	1,056	1,090	1,757	3,903
Officers	100	377	179	656
O6+	0	0	43	43
W4-O5	0	163	7	170
W1-O3	100	214	129	443
Enlisted	956	713	1,578	3,247
E7-E9	0	235	484	719
E1-E6	956	478	1,094	2,528

2003 vs 2008 HMA (delta)				
FHMA	2Br	3Br	4Br	Total
Total	(396)	(263)	439	(220)
Officers	(69)	140	67	138
O6+	0	0	15	15
W4-O5	0	3	(27)	(24)
W1-O3	(69)	137	79	147
Enlisted	(327)	(403)	372	(358)
E7-E9	0	(18)	322	304
E1-E6	(327)	(385)	50	(662)

Major Decisions to Date

- Amend Asset Management Agreement to correct definition of Net Operating Income
- Approval to Sublease land to AAFES
- Amend Ground Lease to remove requirement to return Indianhead Terrace West Parcel



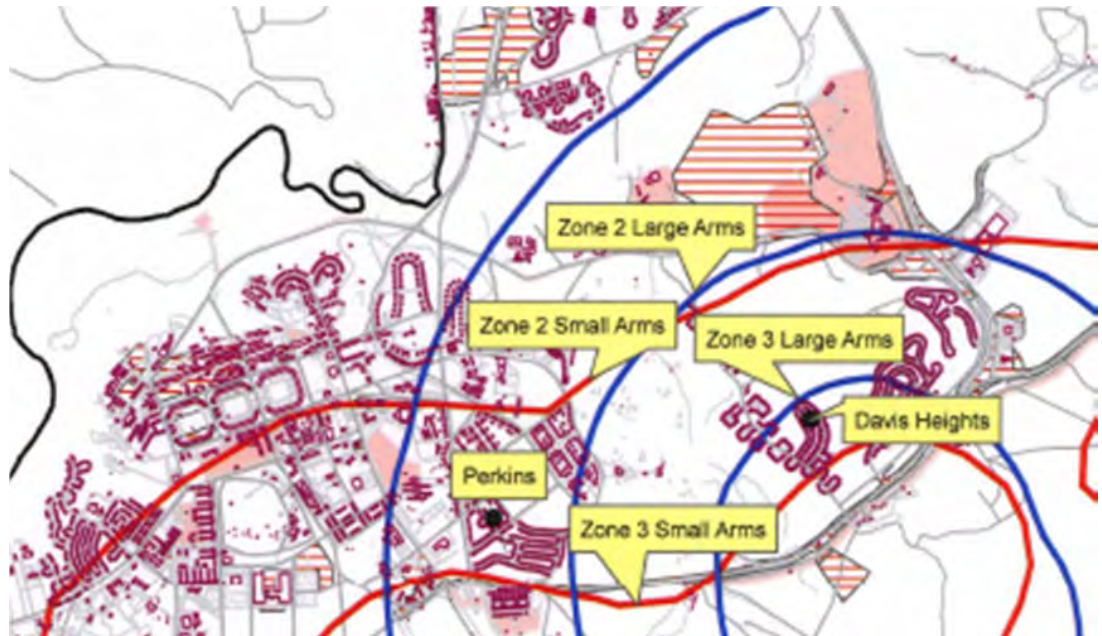
Noise Contours

2005 situation:

- Benning noise contours indicated “Zone 3” in Davis Bouton housing area
- Ground Lease required FBFC demolish the 94 “Noise Units”
- Ground Lease put FBFC on notice of existing Zone 2 situation in Davis Bouton
- FBFC planned a \$9,500 allowance for each of the 630 “Zone 2” Units to attenuate noise

Projected situation:

- BRAC noise contours extend noise zones into housing areas:
 - Zone 2: 500 – 700 units affected
 - Zone 3: 200 – 300 units affected
- What does this mean?



Development Update

Committed or Complete scope (b) (4):

Patton: 664 new units, village center, and pool;

McGraw: 591 new units, village center, pool, Starbucks, and Day Spa;

Upatoi: 107 new units;

Porter: 37 new units, cabana, and pool;

East Main Post: 272 historic units and garage renos, welcome center, pool, and cabana;

Custer: Village center and pool

COMING SOON...

VILLAGE CENTER



- Exercise Room
- Game Zone
- Banquet Hall
- Internet Lounge
- Basketball Courts
- Swimming Pool
- Movie Center
- Playground
- Splash Park
- Village Management Office



PINNACLE
An American Management Services Company

The Villages
OF BEND ORANGE COUNTY

Operations Overview

Operations Overview

1. Net Operating Income (NOI)
2. Basic Allowance for Housing (BAH)
3. Occupancy
4. Operating Expenses (OPEX)



Operations: Net Operating Income

Net Operating Income (NOI) performance to date

Total NOI variance to date is (b) (4)

Anticipated NOI variance thru IDP is (b) (4)

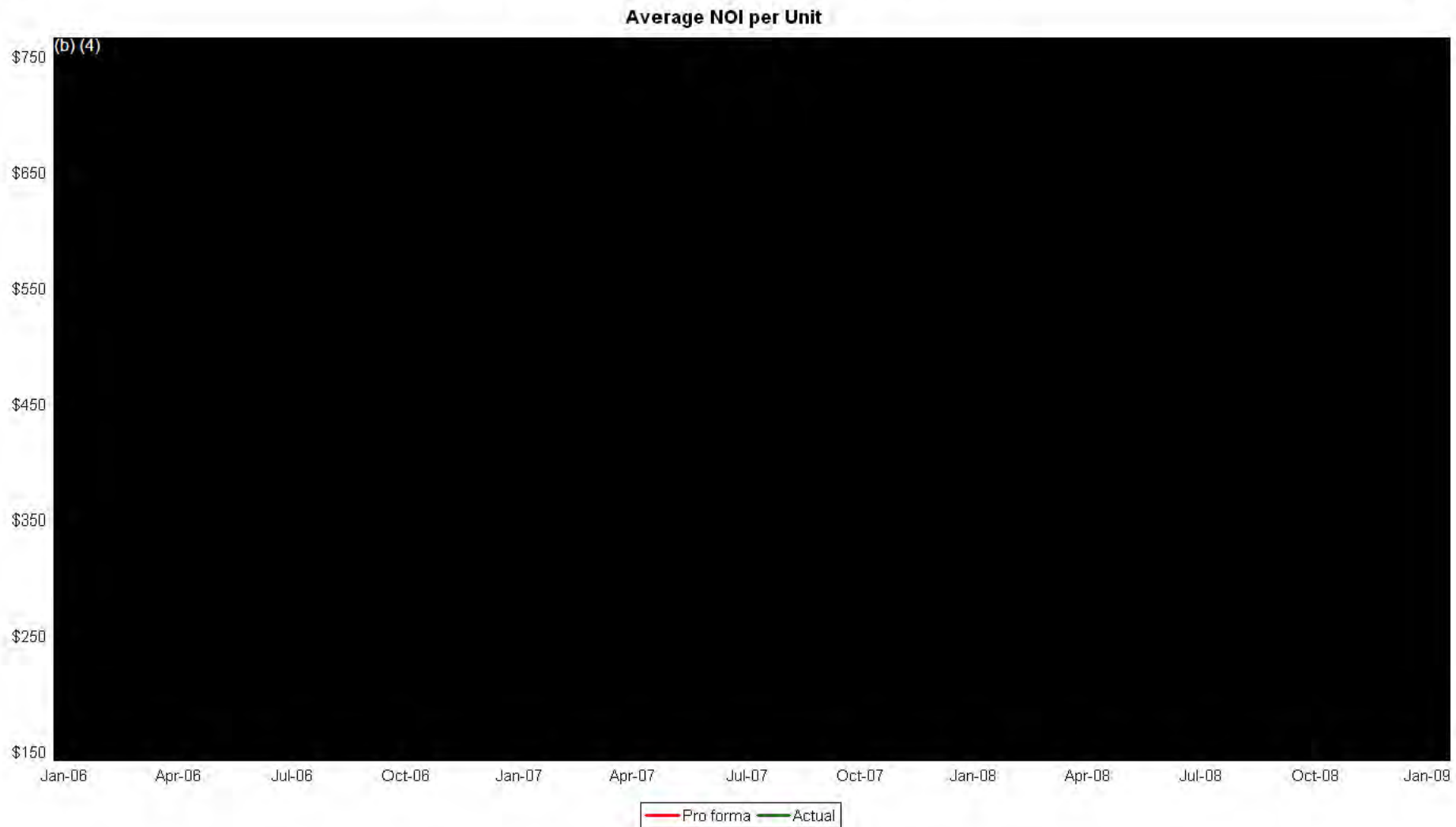
Total anticipated NOI variance is (b) (4)

	To Date	Anticipated	Total
BAH	(b) (4)		
Occupancy			
OPEX			
NOI			

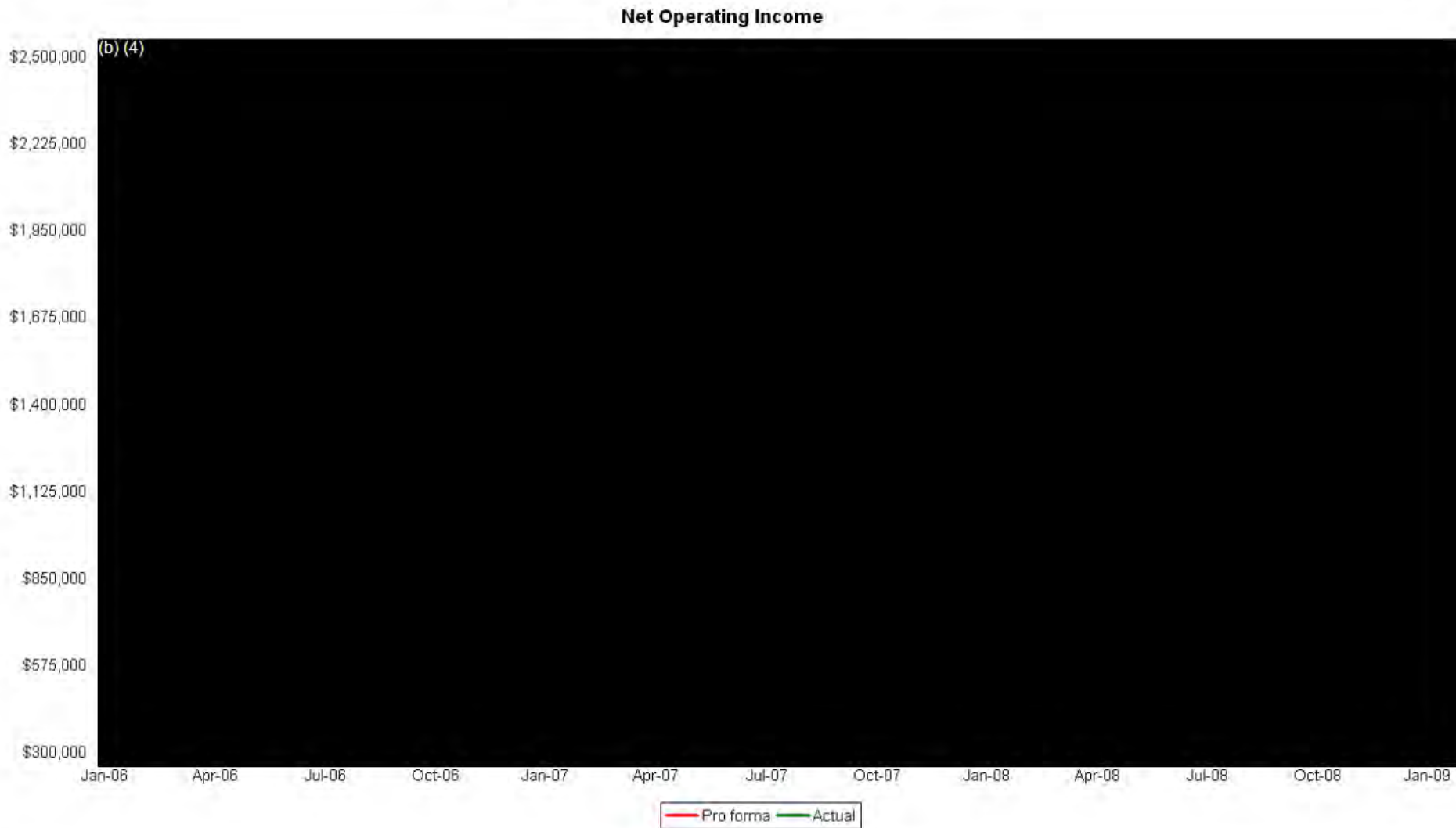
Assumptions:

- BAH growth of (b) (4)
- OPEX growth of (b) (4)
- Occupancy (b) (4) in 2014

Operations: Net Operating Income



Operations: Net Operating Income



Operations: BAH

Basic Allowance for Housing (BAH) has trailed pro forma assumptions:

- More lower enlisted occupants than anticipated
- (b) (4) weighted average BAH decrease in 2007 (pro forma assumed (b) (4) annual increase)
- (b) (4) increase in 2008 narrowed the gap

Average BAH per unit since inception: (b) (4) pro forma

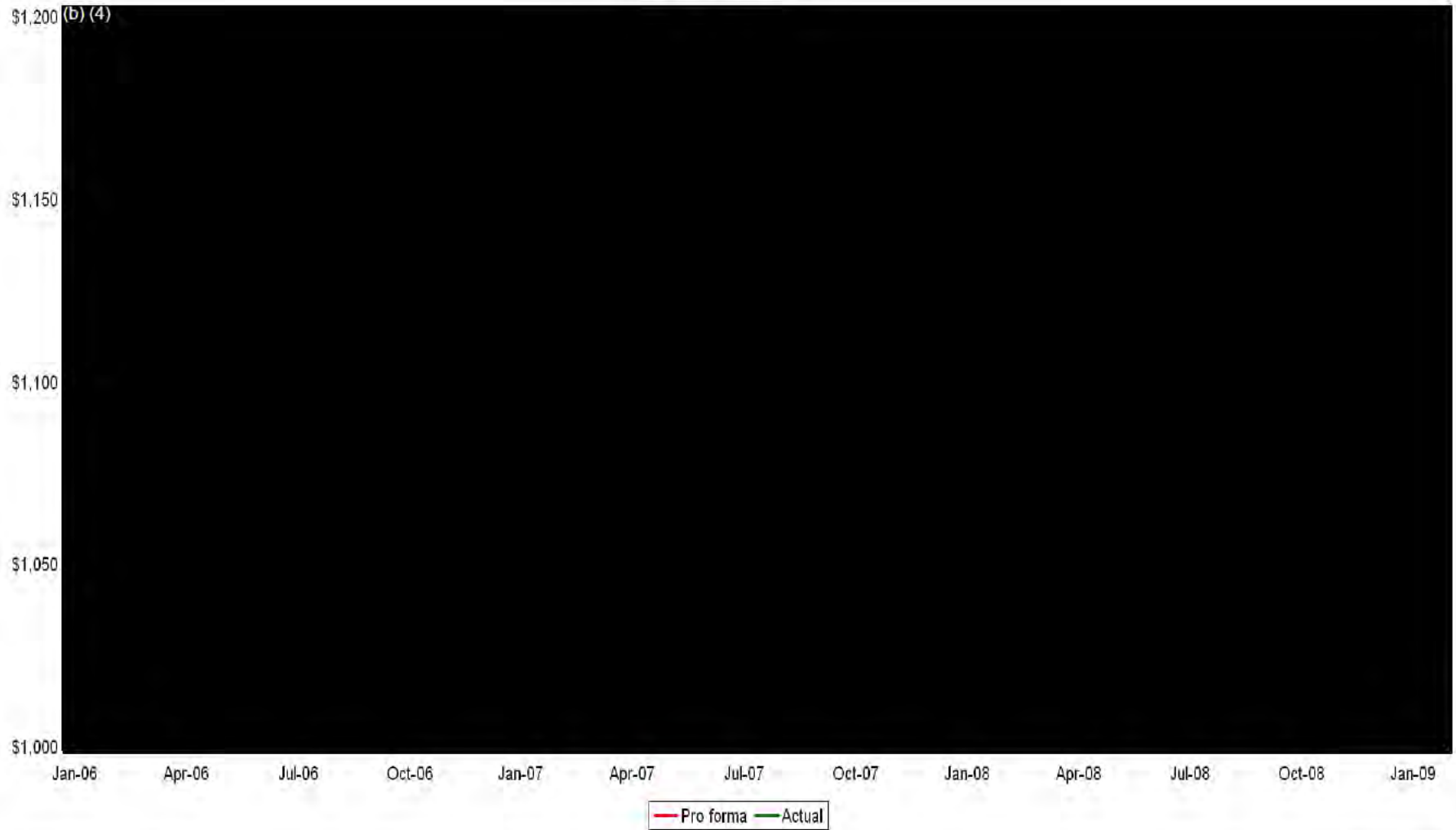
BAH variance to date: (b) (4)

Anticipated BAH variance thru IDP: (b) (4)

Total anticipated BAH variance: (b) (4)

Operations: BAH

Average BAH per Unit



Operations: Occupancy

Occupancy has trailed pro forma assumptions:

- Approximately (b) (4) occupied units than pro forma at closing
- 2006 decrease of (b) (4) due to 3rd ID refit
- 2007 decrease of (b) (4) due to 3rd ID deployment
- As an installation, Benning decreased in size in 2006
- Off-post competition (senior ranks)

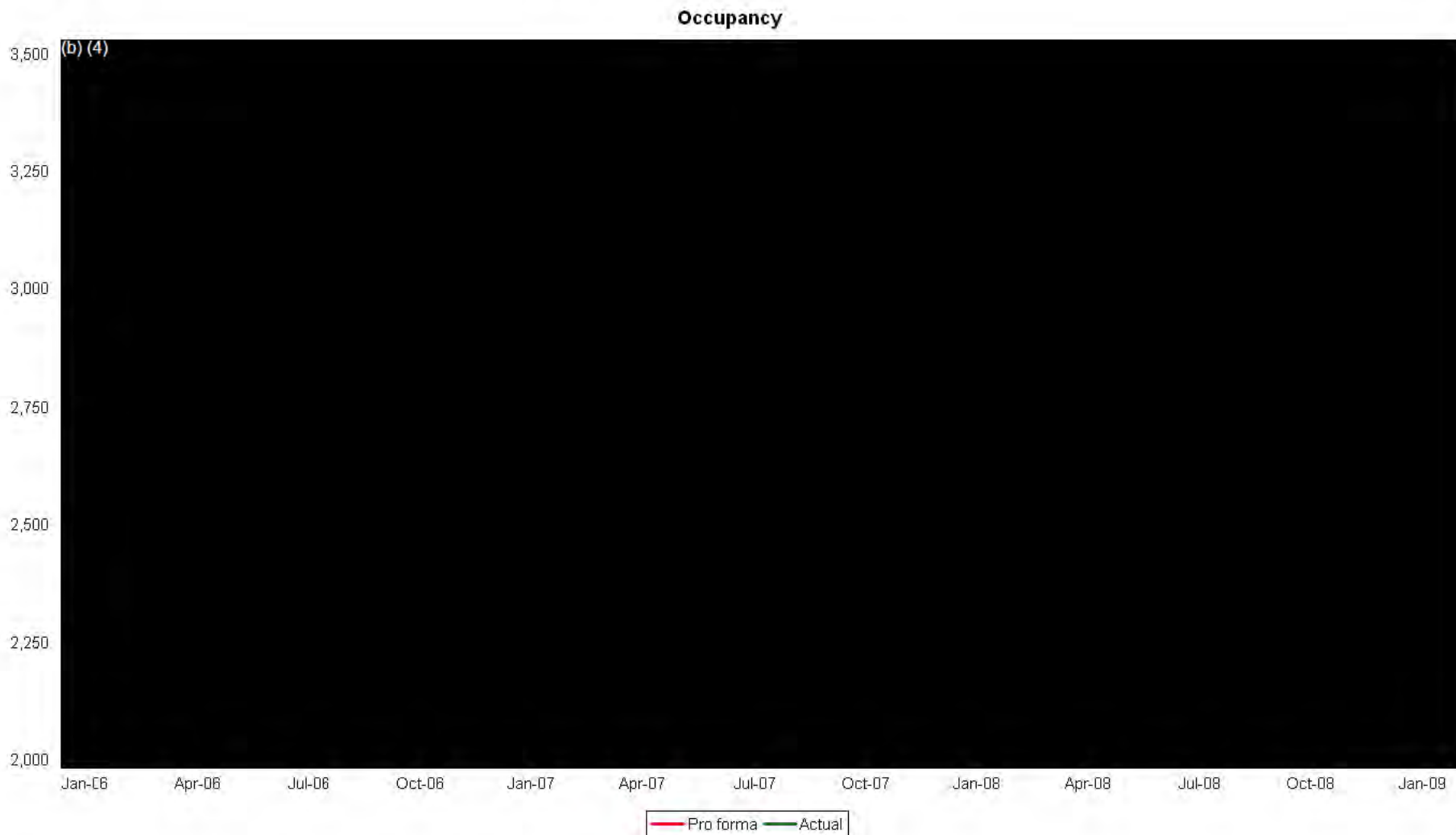
Average occupancy since inception: (b) (4) pro forma

Revenue variance attributable to occupancy: (b) (4)

Anticipated variance attributable to occupancy thru IDP: (b) (4)

Total anticipated variance attributable to occupancy: (b) (4)

Operations: Occupancy



(b) (4)

Operations: Operating Expenses

Operating Expenses (OPEX) have exceeded pro forma assumptions:

- Higher turnkey expenses than anticipated
 - (b) (4) in 2006 vs. (b) (4) pro forma
 - Re-bidding the contract in 2008 reduced the cost to (b) (4)
- Annual turnover rate since inception is (b) (4) (pro forma assumed (b) (4))
 - Turned (b) (4) units per month since inception vs. (b) (4) pro forma (b) (4) more units turned than anticipated)

Average OPEX per unit since inception: (b) (4) pro forma

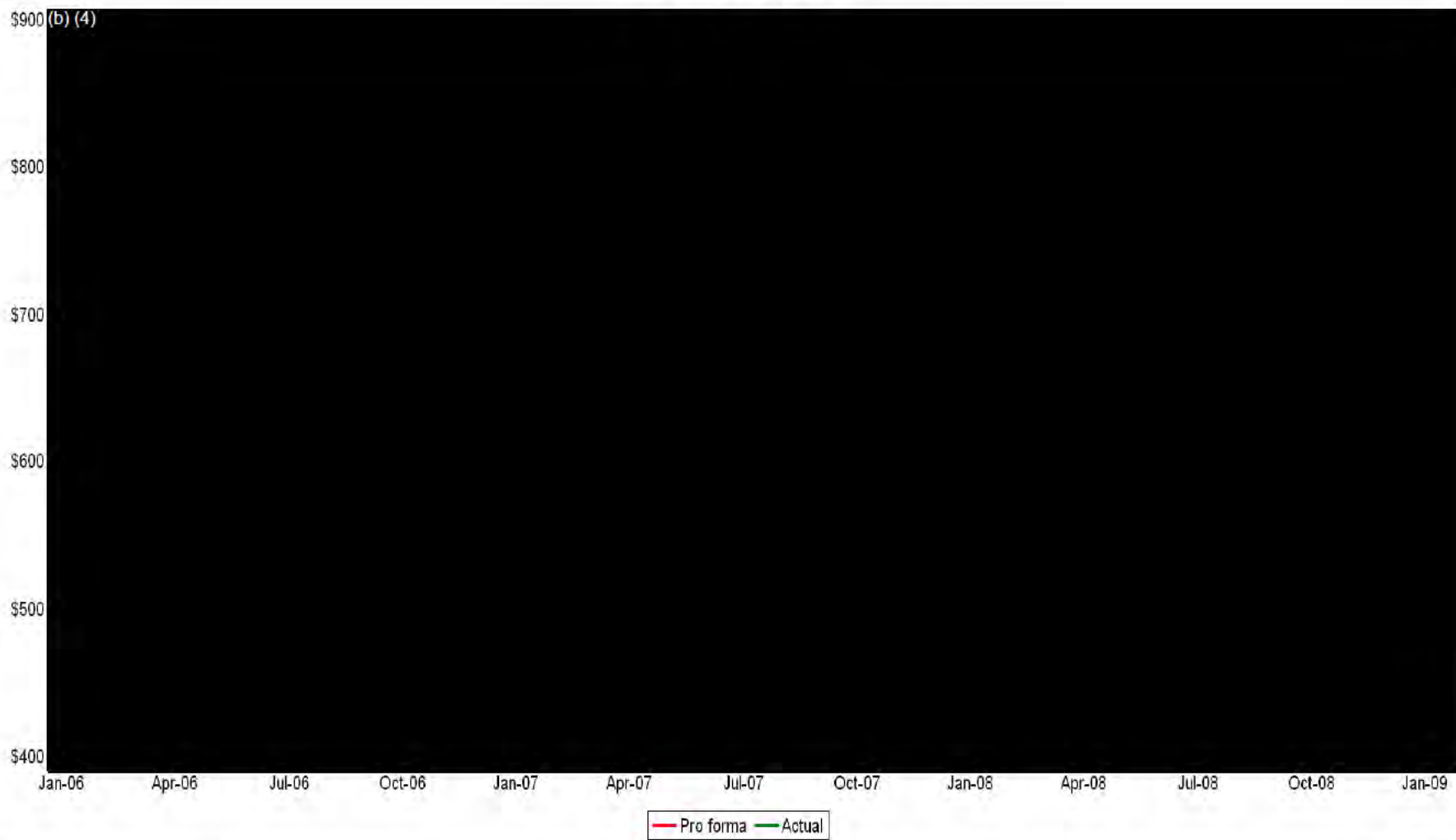
OPEX variance to date: (b) (4)

Anticipated OPEX variance thru IDP: (b) (4)

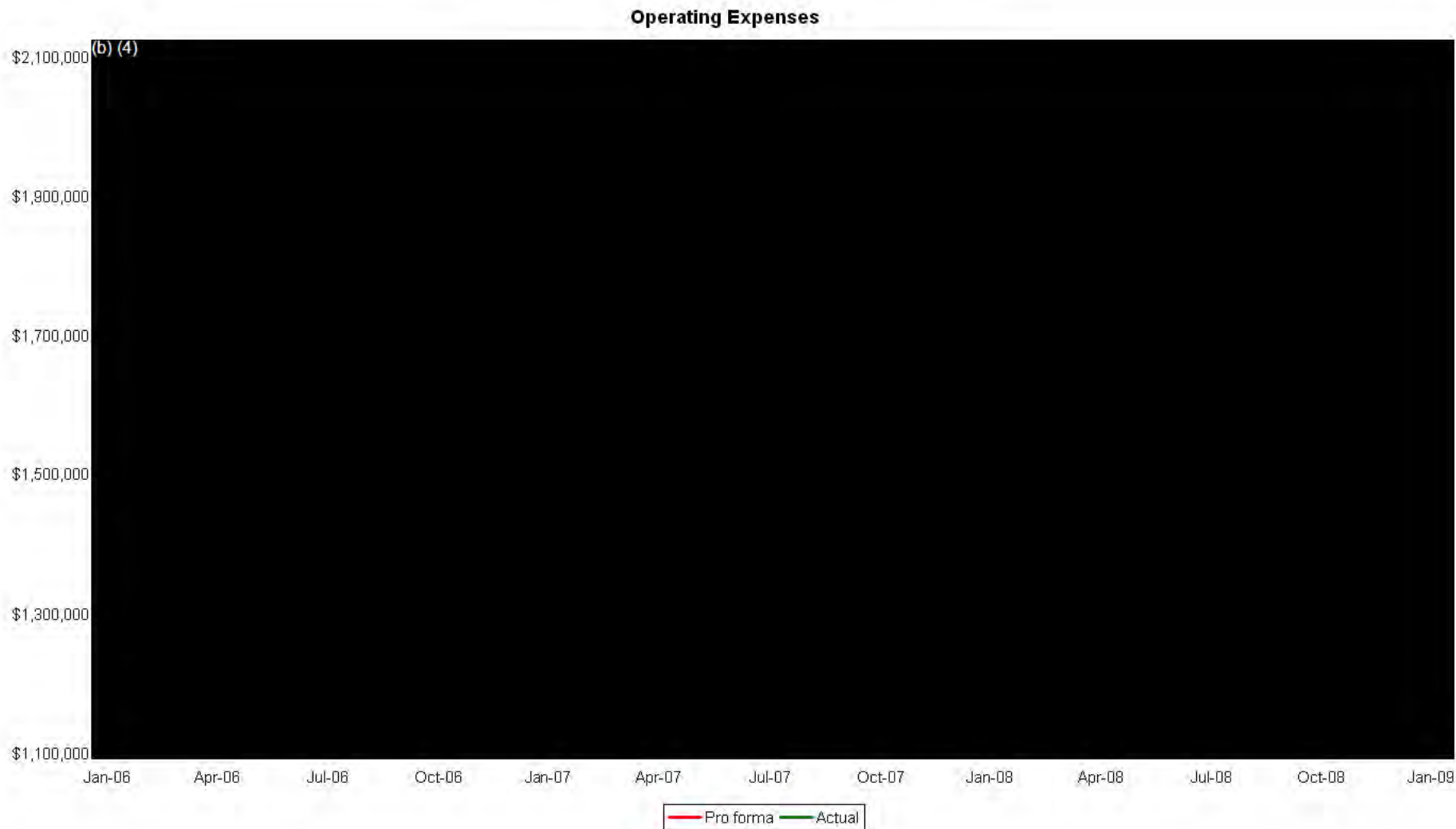
Total anticipated OPEX variance: (b) (4)

Operations: Operating Expenses

Average OPEX per Unit



Operations: Operating Expenses



Finance Overview

Finance Overview

1. GIC issue
2. Unsupportable debt
3. Investment Decisions
4. Class I and II Debt Service Reserve contracts with AIG



Finance: GIC Issue

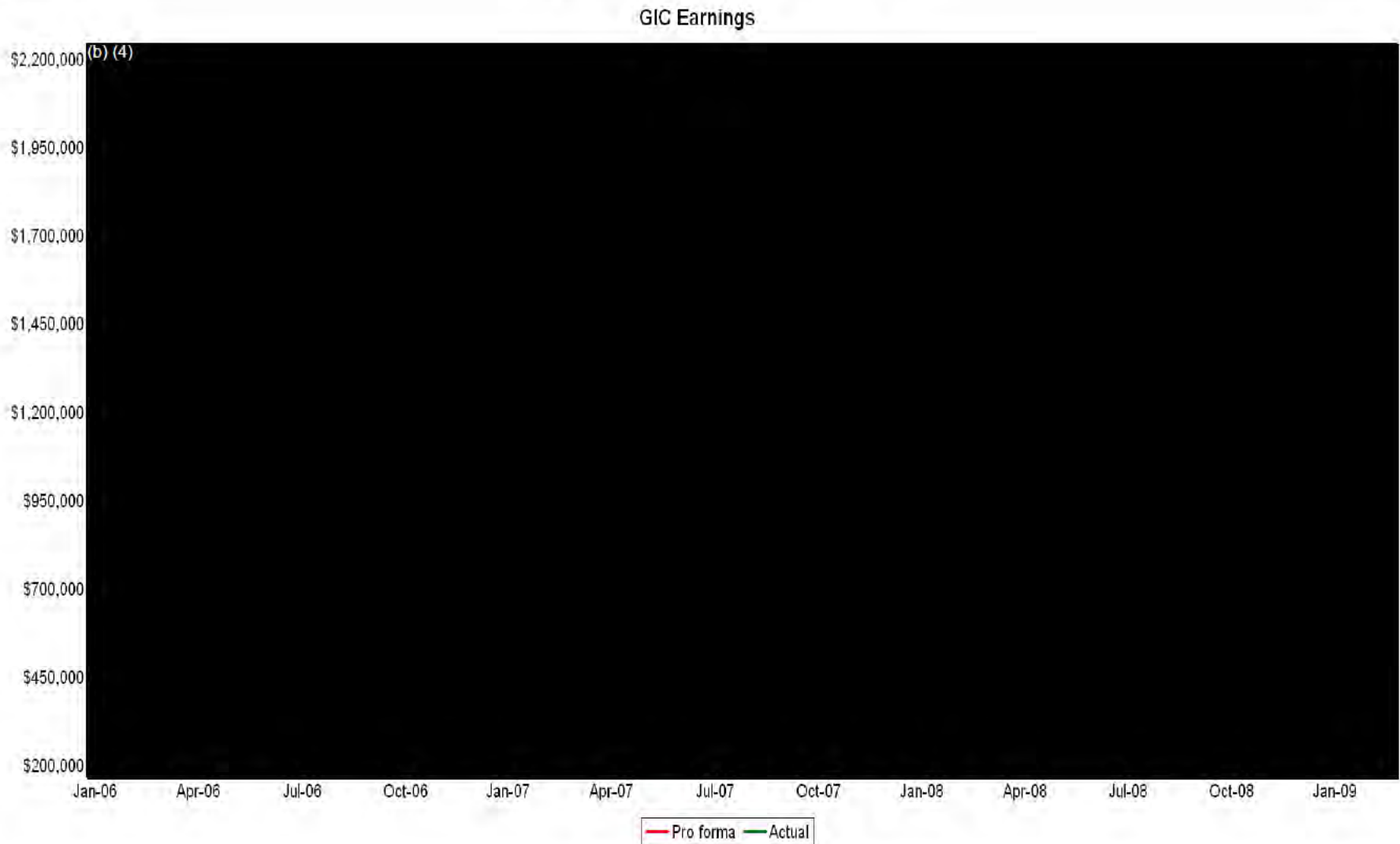
GIC Issue

- Investment agreements with AIG were terminated in September following the AIG downgrade, and all capital previously held by AIG has been returned to FBFC.

- (b) (4) [REDACTED]

- (b) (4) [REDACTED]

Finance: GIC Issue



Finance: Unsupportable Debt

Unsupportable Debt

- Under current assumptions, FBFC is unable to support the (b) (4) in original closing debt.
- FBFC estimates that the Project has approximately (b) (4) in unsupportable debt.

End State Units Online	(b) (4)
Occupancy	(b) (4)
BAH Growth	(b) (4)
OPEX Growth	(b) (4)
Annual NOI (1 st Year ODP)	(b) (4)
Annual Debt Service (1 st Year ODP)	(b) (4)
Natural DCR	(b) (4)
Supportable Debt	(b) (4)
Unsupportable Debt	(b) (4)

Finance: Investment Decision

Investment Decision

- As a separate action, FBFC will propose an investment option for the unsupportable debt.
- The chart below lists the current investment options FBFC is exploring.

(b) (4)



Finance: Class I and II Debt Service Reserve Contracts

Class I and II Debt Service Reserve Contracts with AIG

- (b) (4) [REDACTED]
- [REDACTED]
- [REDACTED]

Timeline

6 Mar:	GC / DPW brief
11 Mar:	Kick-off with Army
18 Mar:	CG brief
10 Apr:	Draft MSP and pro forma due to Army
24 Apr:	1st meeting with Army to discuss MSP and pro forma
27 Apr – 1 May:	Army review, coordination, and discussion
22 May:	2nd Draft MSP due
28 May:	Business term review and discussion
5 Jun:	2nd Meeting to discuss MSP and pro forma
15 Jun:	Final review of MSP
29 Jun – 30 Jun:	Final meeting to consent / sign off on MSP
July:	Army approval



20 March 2009

Todd Hunter
Transaction Management Division
Office of the Assistant Secretary of the Army (I&E)
NC1/Presidential Towers
2511 Jefferson Davis Highway
8th Floor, Suite 8004
Arlington, VA 22202

Dear Todd:

Clark Realty Capital LLC (Clark) received your 16 March 2009 memo that outlined the review and approval process for the Fort Benning Family Communities LLC (FBFC) Modified Scope Plan. Per the "Next Steps" section of the memo:

- Clark agrees with the timeline and associated milestones; and,
- The following Development Partners (at a minimum) plan to attend the 24 April working session:
 - Phil Cowley, Clark Development Executive
 - Mike Douglass, Clark Development Executive
 - Matt Sullivan, Clark Asset Manager
 - Lon Sperry, Pinnacle Investment Manger

Clark and Pinnacle, in conjunction with local Benning Army leadership, are working on the Modified Scope Plan and will submit it and other required supporting documentation no later than 10 April 2009.

I look forward to working through this process with you.

A handwritten signature in black ink, appearing to be "Phil Cowley", with a long horizontal line extending to the right.

PHIL COWLEY
Development Executive
Clark Realty Capital LLC

From: Phil Cowley <Phil.Cowley@clarkrealty.com>
Sent: Monday, May 11, 2009 10:20 AM
To: Hunter, Todd B Mr CIV USA ASA IE
Cc: Hofkens, Kristy (US)
Subject: RE: MSP Comments
Attachments: Comments Benning MSP Draft Army Comments 25 Apr 09.doc

Todd:

See attached responses to the non-pro forma comments.

Phil

-----Original Message-----

From: Hunter, Todd B Mr CIV USA ASA IE
[mailto:todd.b.hunter@conus.army.mil]
Sent: Monday, May 11, 2009 9:25 AM
To: Phil Cowley
Cc: Hofkens, Kristy (US)
Subject: RE: MSP Comments

Phil,

Thanks for the comments to the Pro Forma. Do you have the comment to the MSP also?

-----Original Message-----

From: Phil Cowley [mailto:Phil.Cowley@clarkrealty.com]
Sent: Monday, May 11, 2009 9:06 AM
To: Hunter, Todd B Mr CIV USA ASA IE
Cc: Hofkens, Kristy (US)
Subject: RE: MSP Comments

Todd:

See attached pro forma comments. Responses to the non-pro forma comments will follow shortly.

Phil

-----Original Message-----

From: Hunter, Todd B Mr CIV USA ASA IE
[mailto:todd.b.hunter@conus.army.mil]
Sent: Monday, May 11, 2009 8:56 AM
To: Phil Cowley
Cc: Hofkens, Kristy (US)
Subject: MSP Comments

Phil,

We need your comments in order to prepare for today's conference call.

Todd

Todd B.Hunter
Program Manager
Office of the Deputy Assistant Secretary of the Army (Installations and
Housing)
703-614-4712
110 Army Pentagon, Room 3D453
Washington, DC 20310-0110
Once a Soldier. Always a Soldier.

From: Phil Cowley <Phil.Cowley@clarkrealty.com>
Sent: Monday, May 11, 2009 9:06 AM
To: Hunter, Todd B Mr CIV USA ASA IE
Cc: Hofkens, Kristy (US)
Subject: RE: MSP Comments
Attachments: Comments Benning Army Comments on FBFC PF Draft.xls

Todd:

See attached pro forma comments. Responses to the non-pro forma comments will follow shortly.

Phil

-----Original Message-----

From: Hunter, Todd B Mr CIV USA ASA IE
[mailto:todd.b.hunter@conus.army.mil]
Sent: Monday, May 11, 2009 8:56 AM
To: Phil Cowley
Cc: Hofkens, Kristy (US)
Subject: MSP Comments

Phil,
We need your comments in order to prepare for today's conference call.
Todd

Todd B.Hunter
Program Manager
Office of the Deputy Assistant Secretary of the Army (Installations and
Housing)
703-614-4712
110 Army Pentagon, Room 3D453
Washington, DC 20310-0110
Once a Soldier. Always a Soldier.

From: Ted Lim <Ted.Lim@clarkrealty.com>
Sent: Friday, December 12, 2008 5:46 PM
To: Barstis, Michael (US)
Cc: Hunter, Todd B Mr ASA(I&E); Velde, Andrew (US); Tuttle, Thomas O Mr CIV USA IMCOM; Kelly, Pat CIV USA IMCOM; Fran Coen
Subject: RE: MSP v.4 Review
Attachments: MSP December 2008 FINAL.pdf; Monterey December MSP Pro Forma FINAL.xls

All,
Following a call between the Monterey team and JLL earlier today, we've made some minor adjustments to the MSP document. Please note that the pro forma has NOT changed (I've attached it for the sake of convenience). We look forward to the all-hands meeting on Monday. Have a great weekend.

Best,
Ted

From: Ted Lim [<mailto:Ted.Lim@clarkrealty.com>]
Sent: Wednesday, December 10, 2008 8:44 PM
To: Barstis, Michael (US)
Cc: Hunter, Todd B Mr ASA(I&E); Velde, Andrew (US); Tuttle, Thomas O Mr CIV USA IMCOM; Kelly, Pat CIV USA IMCOM; Fran Coen
Subject: RE: MSP v.4 Review

Hi Mike,
The Monterey team has reviewed and addressed your comments in the attached MSP December 2008 document and pro forma. Also, we've included a list of our responses to your comments, which is in the attached word document.

With respect to the conference call on Friday, we're available anytime after 10:30am PST. We look forward to the call.

Best,
Ted

*****PLEASE NOTE THAT MY MOBILE NUMBER HAS CHANGED*****

Ted Lim
CLARK REALTY CAPITAL, LLC
548 Abrego Street
Monterey, CA 93940
DIRECT: (831) 583-2705
MOBILE: (415) 748-5002
FAX: (831) 583-2755
ted.lim@clarkrealty.com

From: Barstis, Michael (US) [<mailto:Michael.Barstis@am.jll.com>]
Sent: Tuesday, December 09, 2008 3:04 PM
To: Fran Coen; Ted Lim; 'Kelly, Pat CIV USA IMCOM'

Cc: 'Hunter, Todd B Mr ASA(I&E)'; Velde, Andrew (US)

Subject: MSP v.4 Review

Monterey Team -

We've had the opportunity to review the revised MSP document against our November 20th discussions and have attached our comments.

Generally, we think this version is very close as all key issues have been touched upon. We'd like to expand on certain subjects - community center phasing, kidney unit count, etc. - and tie out / clean up the pro forma to MSP exhibit mapping.

Todd is on Mr. Bollinger's schedule for next Tuesday for his signature to approve / dis-approve this MSP. I'd suggest the following schedule to get this document in shape for approval by next week:

- 1) Monterey team reviews the attached comments and make the appropriate changes by this Thursday.
- 2) We can look over the revision on Thursday evening / Friday morning.
- 3) Do a call on Friday morning (PST) as a final clean up. I'll estimate this an hour call to clean up.
- 4) We can clean up the document on Friday / over the weekend.
- 5) Do a final walk-through of the document on Monday to assure it's ready for Mr. Bollinger's signature.
- 6) MSP approval on Tuesday.

Please let me know if this is an achievable schedule and if you have any questions. We'll look forward to closing out this process very soon.

Thanks,
Mike

Michael S. Barstis

Jones Lang LaSalle
Public Institutions
1801 K Street, NW
Suite 1000
Washington, DC 20006
o: 202.719.5590
c: 202.255.9626
f: 312.601.1085
michael.barstis@am.jll.com

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From: [Phil Cowley](#)
To: [Hunter, Todd B Mr CIV USA ASA IE](#)
Cc: [Macdonald, Thomas D COL MIL USA IMCOM](#); [Hofkens, Kristy \(US\)](#); [Goodrow, Timothy Mr CIV USA ACSIM](#); [Brown, Raul A Mr CIV USA IMCOM](#); [Matt Sullivan](#)
Subject: RE: Fort Benning Major Decision (FBFC) Transmittal Letter
Date: Friday, March 20, 2009 1:46:05 PM
Attachments: [MSP Memo Response to Todd.pdf](#)

Todd:

Please see attached memo, agreeing to the MSP timeline and milestones.

Have a good weekend.

Phil

-----Original Message-----

From: Hunter, Todd B Mr CIV USA ASA IE
[<mailto:Todd.Hunter@hqda.army.mil>]
Sent: Monday, March 16, 2009 10:56 AM
To: Phil Cowley
Cc: Macdonald, Thomas D COL MIL USA IMCOM; Hofkens, Kristy (US);
Goodrow, Timothy Mr CIV USA ACSIM; Brown, Raul A Mr CIV USA IMCOM
Subject: Fort Benning Major Decision (FBFC) Transmittal Letter

Phil

Attached is a signed copy of the Fort Benning Major Decision (FBFC) Transmittal Letter to the Installation and Partner per our conversation.

I appreciate your responsiveness on this matter and I look forward to an expeditious, sound resolution of this Major Decision

Todd B Hunter
Program Manager
Transaction Management Division
Office of the Deputy Assistant Secretary of the Army (Energy and Partnerships)
703-601-2522
Once a Soldier. Always a Soldier.

From: Phil Cowley <Phil.Cowley@clarkrealty.com>
Sent: Friday, April 10, 2009 4:15 PM
To: Hunter, Todd B Mr CIV USA ASA IE
Subject: Recent Benning Draw
Attachments: FBFC April 2009 Draw.pdf

Todd:

Here is the most recent Benning Construction Draw.

Talk to you soon.

Phil

From: Phil.Cowley@clarkrealty.com
Sent: Wednesday, March 11, 2009 10:23 AM
To: Hunter, Todd B Mr CIV USA ASA IE
Subject: Slides
Attachments: MSP Kick-off Meeting.pdf

Todd:

See attached read-ahead slides for today's 1:00 meeting.

Phil

From: [Chamberlain, Scott CIV \(US\)](#)
To: [Burgosperez, Jose L CIV USARMY HQDA OAA \(US\)](#)
Cc: [Chamberlain, Scott CIV \(US\)](#)
Subject: FW: Fort Irwin \$30M MSP Approval (UNCLASSIFIED)
Date: Monday, February 24, 2014 12:00:46 PM
Attachments: [Fort Irwin FINAL MSP - \\$30M.pdf](#)

Classification: UNCLASSIFIED
Caveats: NONE

Jose,

Here is a 2010 MSP - might be something you have not seen and is the only thing being requested in the letter that I'm not sure on - don't know if it was provided earlier. I'm following up with all participants - should have a final email to you today or tomorrow responding to all of your questions.

Scott

V/r

Scott

Scott Chamberlain
Program Manager
Office of the Deputy Assistant Secretary of the Army (Installations, Housing and Partnerships)
703-614-5286
110 Army Pentagon, Room 3D453
Washington, DC 20310-0110

-----Original Message-----

From: Chamberlain, Scott Mr CIV USA ASA IE
Sent: Monday, October 25, 2010 12:52 PM
To: Jodi Winters; Blair, Ladye Mrs CIV USA IMCOM; Chevallier, James H COL MIL USA IMCOM
Cc: Chamberlain, Scott Mr CIV USA ASA IE; Hutton, Deborah Ms CIV USA ACSIM; 'Shawn.Duggal@am.jll.com'; Andrew.Mellen@am.jll.com
Subject: Fort Irwin \$30M MSP Approval (UNCLASSIFIED)

Classification: UNCLASSIFIED
Caveats: NONE

COL Chevallier, Ms. Winters, and Ms. Blair,

Please see attached approval memorandum for the \$30M in additional equity for Fort Irwin Family Housing. The MSP write-up is also attached.

Although the MSP is approved, construction of the additional homes is contingent on completion of construction of the water treatment facility. Mr. Calcara was specific when we went over this action - do not start new housing construction until the water treatment plant construction is complete. The installation's continued non-compliance with California law has been a topic of discussion in all of the meetings I've attended on the water treatment facility - meetings attended by both Mr. Calcara and the Ms.

Hammack, the ASAIEE. The Army's 2004 agreement with California to stop any further connections until the problem was mitigated was also discussed, as well as the continued addition of RCI housing and other facilities to the water distribution system since that agreement.

Hopefully, the MILCON action to fund the new water treatment facility will move quickly as part of the 2011 budget and construction could begin as early as next spring/summer.

I'm certainly available if anyone has questions.

V/r

Scott

Scott Chamberlain
Program Manager
Office of the Deputy Assistant Secretary of the Army (Installations and Housing)
703-614-5286
110 Army Pentagon, Room 3D453
Washington, DC 20310-0110

Classification: UNCLASSIFIED
Caveats: NONE

Classification: UNCLASSIFIED
Caveats: NONE

Fort Irwin Family Housing Modified Scope Plan

**California Military Communities, LLC
Modified Scope Plan at Fort Irwin
(MSP)
To Address Deficit Family Housing**

16 September 2010



Fort Irwin Family Housing Modified Scope Plan

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Fort Irwin Family Housing Modified Scope Plan

SECTION I: Executive Overview

1.1 History

The goal of the Fort Irwin / Moffett Federal Airfield / Camp Parks Project is to provide military families with safe, quality, affordable on-post housing options. The Irwin / Moffett / Parks Project is owned, managed and operated by California Military Communities, LLC which includes Clark / Pinnacle as the managing member and the Army as a minority member. The housing was leased to the LLC on March 1, 2004, with the LLC assuming ownership and the responsibility of renovating, replacing, and managing 2,806 family housing units and 200 unaccompanied senior enlisted / officer quarters (UPH) at Fort Irwin.

(b) (4)

The purpose of this Modified Scope Plan (MSP) is to present the proposed development and construction plan to execute

(b) (4)

his phase of development will not be included in the Initial Development Period scope of work. The scope of work is simply the development and construction of 82 new homes for Company Grade Officers (CGO).

(b) (4)

1.2 Family Housing Requirements (Fort Irwin Only)

Housing Market Analysis dated 27 February 2009

Rank	2013 HMA Requirement	Current End State	AMF Scope	New End State	Remaining Deficit	% of Requirement
GO	1	1	-	1	-	100%
FGO	177	125	-	125	(52)	71%
CGO	447	241	82	323	(124)	72%
SNCO	394	386	-	386	(8)	98%
JENL / JNCO	1,960	1,717	-	1,717	(243)	88%
Total	2,979	2,470	82	2,552	(427)	86%

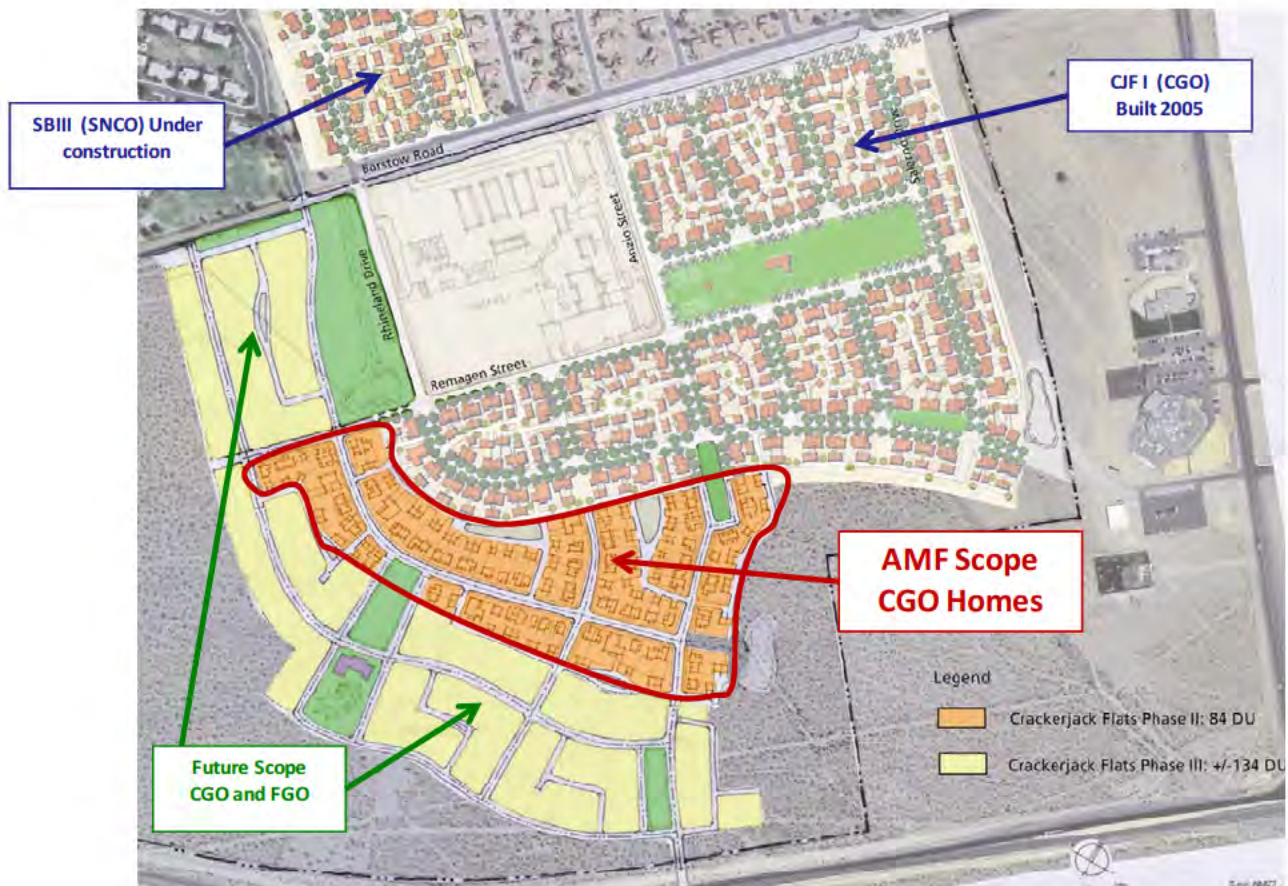
Fort Irwin Family Housing Modified Scope Plan

SECTION II: Development Plan

2.1 Master Planning

There is sufficient land available within the ground lease to accomplish the proposed scope of work for this phase of development. This phase is planned as an expansion of the existing Cracker Jack Flats neighborhood. In addition to the construction of 82 new homes, 2 homes planned as part of the MSP 2009 will be constructed on the site. These homes were not completed at Sandy Basin III due to site limitations. Limited utility infrastructure is available to service the new homes and will require extensive off-site upgrades to bring services to the site. The project has reviewed other site-planning alternatives and has determined that the plan detailed represents the most cost-effective solution for planning and infrastructure costs. These additional costs are captured in the development/construction budget provided.

Figure 2. Master Plan for Added Scope



Fort Irwin Family Housing Modified Scope Plan

2.2 Scope of Work and Delivery Schedule

The additional 82 homes will be built utilizing the same specifications as those used in the most recently completed phase of the Irwin project. Project floor plans will be re-utilized from the Sandy Basin III neighborhood and are provided as Exhibit D for reference only. The units will have to be redesigned to accommodate the 2010 RCI Construction Standards – Update #3 and will include modifications to the HVAC, mechanical/electrical/plumbing systems and a few exterior additions to meet LEED Silver and the new California Building Code. The neighborhood is a combination of single-family and duplex homes, each offering either 3 or 4 bedrooms with 2.5 baths. This MSP will construct 82 homes for CGO; 66 three-bedrooms and 16 four-bedrooms, . All homes will have a 2-car garage, private backyard area and will range in size from 2,100 to 2,505 GSF. Each unit will feature fully-equipped kitchens including: dishwasher, garbage disposal, full-size refrigerator and microwave. Energy-star appliances will be installed to maximize efficiency and minimize utility costs. All homes are designed with HVAC systems and will utilize solar-powered attic fans and radiant-barrier roof sheathing to help mitigate the weather extremes experienced at Fort Irwin.

In addition to the unit design modifications referenced above, this project will need extensive off-site utility upgrades and on-site mitigation of the storm swale that runs through the leased land. Although the site sits adjacent to a previous RCI phase and Army facilities, CH2MHill, the Army water contractor, has indicated that there is no capacity for sewer outflows through the existing system. The closest sewer facility is approximately ½ mile away by route and will require 16" plus lines to make up for the lack of grade change to the site. Dry utilities will also be a challenge and will need to be brought in from off-site at a distance of 1,500 feet to edge of development and will require a mainline backbone extension. Water service is potentially available from the previous RCI phase, CJFI, and therefore the project does not anticipate the need for additional facilities other than an in-track system. Finally, storm waters run overland through most of Fort Irwin. The lease land available for development contains several storm water channels one of which will have to be redirected away from housing during the earthwork for the new phase.

A delivery schedule is included as Exhibit E.

(b)(4)

Fort Irwin Family Housing Modified Scope Plan

2.3 Development Budget

(b) (4)

(b) (4)

Fort Irwin Family Housing Modified Scope Plan

2.4 Hard Cost Breakdown

(b) (4) Construction costs at Irwin are considerably higher than average due to some of the highest Davis Bacon wages in the nation, coupled with a remote and isolated location. Trades are typically pulled from either Las Vegas or Los Angeles both of which are 3 hours away. Subcontractors typically have to house workers in Barstow during the course of a job and then it is still a 2 hour round-trip per day drive off and on base. It is estimated that the location premium is approximately (b) (4) of a sub-contractor's costs. In addition to the above, site work which includes (b) (4)

(b) (4) This number is driven up by the extensive utility infrastructure that is required to service the site as discussed in Section 2.2.

(b) (4)

2.5 Development Progress to Date (Fort Irwin Only)

(b) (4)

Fort Irwin Family Housing Modified Scope Plan

2.6 Out Year Development

The Out-Year Development Plan charts the various demolition, new construction and renovations during the IDP and out years and illustrates our continuing commitment to offering quality homes and neighborhoods in the Secondary Development Period (SDP).

(b) (4)

A large rectangular area of the document is redacted with a solid black box. A small white square is visible on the left side of this redacted area.

(b) (4)

A very large rectangular area of the document is redacted with a solid black box, covering the majority of the lower half of the page.

Fort Irwin Family Housing Modified Scope Plan

SECTION III: Financial Plan

3.1 Sources and Uses

(b) (4)

A large rectangular area of the document is completely redacted with a solid black fill.

(b) (4)

A very large rectangular area of the document is completely redacted with a solid black fill, covering the majority of the lower half of the page.

Fort Irwin Family Housing Modified Scope Plan

3.2 Fee Structure for IDP vs. ODP Scope

The chart below summarizes the changes in the base and incentive fee structure between IDP scope and ODP scope. The new scope under this MSP is designated as ODP scope and therefore the new base and incentive fees will apply.

(b) (4)



Fort Irwin Family Housing Modified Scope Plan

SECTION IV: Legal and Governance Plan

Out-year scope was contemplated under the original legal documents therefore there is no need to update any of these agreements with the exception of the construction agreement.

(b) (4)



Fees, incentive structures and provisions for bonding will remain unchanged.

SECTION V: Property Management and Operations Plan

Property Management Plan Overview

No changes are proposed to the Property Management Plan.

Operations Plan Overview

No changes are proposed to the Operations Plan.

Maintenance Plan Overview

No changes are proposed to the Maintenance Plan.

Resident Services Overview

No changes are proposed to Resident Services.